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UNION TOWNSHIP  
MADISON COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2004 & 2003

*Whited Seigneur Sams & Rahe, LLP*

CERTIFIED PUBLIC ACCOUNTANTS

*\*\* WSSR \*\**

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**Auditor of State  
Betty Montgomery**

Board of Trustees  
Union Township  
4090 Glade Run Rd  
London, Ohio 43140

We have reviewed the *Report of Independent Auditor* of Union Township, Madison County, prepared by Whited Seigneur Sams & Rahe, LLP for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditor* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Auditor* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Union Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 16, 2005

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**UNION TOWNSHIP  
MADISON COUNTY, OHIO**

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# *Whited Seigneur Sams & Rahe LLP*

CERTIFIED PUBLIC ACCOUNTANTS

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July 28, 2005

Board of Trustees  
Union Township  
Madison County  
4090 Glade Run Rd  
London, OH 43140

## **Report of Independent Auditor**

We have audited the accompanying financial statements of Union Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004 and 2003, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Union Township, Madison County as of December 31, 2004 and 2003 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 28, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
<b>CASH RECEIPTS</b>			
Local Taxes	\$ 36,104	\$ 23,822	\$ 59,926
Intergovernmental Receipts	68,906	83,646	152,552
Earnings on Investments	<u>2,510</u>	<u>1,029</u>	<u>3,539</u>
 <b>TOTAL CASH RECEIPTS</b>	 107,520	 108,497	 216,017
 <b>CASH DISBURSEMENTS</b>			
General Government	69,093	0	69,093
Public Safety	0	22,842	22,842
Public Works	0	75,471	75,471
Capital Outlay	<u>0</u>	<u>1,776</u>	<u>1,776</u>
 <b>TOTAL CASH DISBURSEMENTS</b>	 <u>69,093</u>	 <u>100,089</u>	 <u>169,182</u>
 <b>TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS</b>	 38,427	 8,408	 46,835
 Fund Cash Balances, January 1, 2004	 <u>110,137</u>	 <u>134,829</u>	 <u>244,966</u>
 Fund Cash Balances, December 31, 2004	 <u>\$ 148,564</u>	 <u>\$ 143,237</u>	 <u>\$ 291,801</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
<b>CASH RECEIPTS</b>			
Local Taxes	\$ 35,357	\$ 23,280	\$ 58,637
Intergovernmental Receipts	30,620	78,784	109,404
Earnings on Investments	2,529	739	3,268
Other Revenue	<u>542</u>	<u>2,518</u>	<u>3,060</u>
<b>TOTAL CASH RECEIPTS</b>	69,048	105,321	174,369
<b>CASH DISBURSEMENTS</b>			
General Government	69,092	0	69,092
Public Safety	0	22,989	22,989
Public Works	0	49,493	49,493
Capital Outlay	<u>0</u>	<u>3,992</u>	<u>3,992</u>
<b>TOTAL CASH DISBURSEMENTS</b>	<u>69,092</u>	<u>76,474</u>	<u>145,566</u>
<b>TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS</b>	(44)	28,847	28,803
Fund Cash Balances, January 1, 2003	<u>110,181</u>	<u>105,982</u>	<u>216,163</u>
Fund Cash Balances, December 31, 2003	<u>\$ 110,137</u>	<u>\$ 134,829</u>	<u>\$ 244,966</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Description of the Entity**

Union Township, Madison County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides general governmental services including road and bridge maintenance and fire protection. The Township contracts with the Central Township Fire Department to provide fire protection.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

- **Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

- **Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

- **General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Fire District Fund - This fund receives property tax money to pay for a fire contract with Central Township Fire Department.

**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.
- **Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Union Township does not encumber when commitments are made but does provide certification at the time of payment through the use of then and now certificates.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

- **Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2004</u>	<u>2003</u>	
Demand deposits	<u>\$ 291,801</u>	<u>\$ 244,966</u>	

**Deposits**

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and December 31, 2003, were as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 69,048	\$ 107,520	\$ 38,472
Special Revenue	105,321	108,497	3,176
Total	<u>\$ 174,369</u>	<u>\$ 216,017</u>	<u>\$ 41,648</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 179,184	\$ 69,093	\$ 110,091
Special Revenue	240,149	100,089	140,060
Total	<u>\$ 419,333</u>	<u>\$ 169,182</u>	<u>\$ 250,151</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 60,204	\$ 69,048	\$ 8,844
Special Revenue	85,103	105,321	20,218
Total	<u>\$ 145,307</u>	<u>\$ 174,369</u>	<u>\$ 29,062</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 170,385	\$ 69,092	\$ 101,293
Special Revenue	191,085	76,474	114,611
Total	<u>\$ 361,470</u>	<u>\$ 145,566</u>	<u>\$ 215,094</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**4. PROPERTY TAX (Continued)**

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. LEASE-PURCHASE AGREEMENT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Agreement	46,747	5.795%
Total	\$ 46,747	

A lease agreement with an option to purchase was entered into for a truck and equipment in December 2004.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year Ending December 31</u>	<u>Truck Lease Agreement</u>
2005	\$ 10,850
2006	10,850
2007	10,850
2008	10,850
2009	10,850
Thereafter	0
Total	\$ 54,250

**6. RETIREMENT SYSTEMS**

The Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

## **7. RISK MANAGEMENT**

### **Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2722.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgements, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

# *Whited Seigneur Sams & Rahe LLP*

CERTIFIED PUBLIC ACCOUNTANTS

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Donald R. Seigneur, CPA  
John R. Sams, CPA

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July 28, 2005

Board of Trustees  
Union Township  
Madison County  
4090 Glade Run Rd  
London, OH 43064

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

We have audited the accompanying financial statements of Union Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 28, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 28, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. Also, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 28, 2005.

This report is intended for the information and use of management and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,  
WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number 2004-001**

Ohio Rev. Code, Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the clerk may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than three thousand dollars (effective April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees upon completion of the "then and now" certificate, provided that the expenditure is otherwise valid.

Union Township does not encumber when commitments are made but does provide certification at the time of payment through the use of then and now certificates. Approximately ninety percent of the disbursements tested were not certified by the fiscal officer until the time of payment. The fiscal officer did issue "then and now" certificates for the remaining payments.

We recommend the clerk use and encumber regular purchase orders, blanket certificates and super blanket certificates to provide prior certification in those transactions where then and now certificates are not used.

**Finding Number 2004-002**

2000 OP. Att'y Gen. No. 2000-019 addressed the nature of a "lease with option to purchase" by interpreting this arrangement equal to a form of purchase by the installment payments. Based on the fact that public bodies are not permitted to purchase property by installment payments without clear statutory authority, townships do not possess the power to enter into a lease with option to purchase. (Refer to Auditor of State Bulletin 2000-010 dated July 24, 2000) Contrary to above, the Township entered into a finance lease agreement in late 2004 with a purchase option for a truck mainly used for roadwork.

**UNION TOWNSHIP  
MADISON COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

There were no prior audit findings.



**Auditor of State  
Betty Montgomery**

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**UNION TOWNSHIP**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 6, 2005**