

Union Township
Scioto County
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA
Auditor of State

Board of Trustees
Union Township
7239 Big Spruce Little Bear Creek Road
Otway, Ohio 45657

We have reviewed the *Independent Auditor's Report* of Union Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc, for the audit period January 1, 2008 through December 31, 2009. 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. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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 *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 3, 2010

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Scioto County
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For the Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

Board of Trustees
Union Township
Scioto County
7239 Big Spruce Little Bear Creek Road
Otway, Ohio 45657

We have audited the accompanying financial statements of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 audit.

We conducted our audit 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 audit 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 audit provides 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

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Scioto County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Union Township, Scioto County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2010 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

August 30, 2010

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$47,186	\$83,574	\$130,760
Licenses, Permits, and Fees	0	6,553	6,553
Intergovernmental	18,006	332,536	350,542
Earnings on Investments	1,217	771	1,988
Miscellaneous	514	3,758	4,272
Total Cash Receipts	66,923	427,192	494,115
Cash Disbursements:			
Current:			
General Government	77,791	0	77,791
Public Safety	0	46,574	46,574
Public Works	510	91,830	92,340
Health	0	6,503	6,503
Capital Outlay	0	229,239	229,239
Debt Service:			
Redemption of Principal	0	26,016	26,016
Interest and Other Fiscal Charges	0	2,264	2,264
Total Cash Disbursements	78,301	402,426	480,727
Total Cash Receipts Over Cash Disbursements	(11,378)	24,766	13,388
Other Financing Sources:			
Other Financing Sources	0	15,310	15,310
Total Other Financing Sources	0	15,310	15,310
Excess of Cash Receipts and Other Financing Sources Over Cash Disbursements	(11,378)	40,076	28,698
Fund Cash Balances (Deficit), January 1	(4,437)	109,303	104,866
Fund Cash Balances (Deficit), December 31	(\$15,815)	\$149,379	\$133,564

The notes to the financial statements are an integral part of this statement.

Union Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$45,126	\$75,164	\$120,290
Licenses, Permits, and Fees	0	4,150	4,150
Intergovernmental	18,258	108,587	126,845
Earnings on Investments	1,063	572	1,635
Miscellaneous	242	5,238	5,480
Total Cash Receipts	64,689	193,711	258,400
Cash Disbursements:			
Current:			
General Government	83,787	0	83,787
Public Safety	0	59,012	59,012
Public Works	902	80,402	81,304
Health	0	5,904	5,904
Capital Outlay	0	44,467	44,467
Debt Service:			
Redemption of Principal	0	31,668	31,668
Interest and Other Fiscal Charges	0	2,031	2,031
Total Cash Disbursements	84,689	223,484	308,173
Total Cash Receipts Under Cash Disbursements	(20,000)	(29,773)	(49,773)
Other Financing Sources:			
Other Debt Proceeds	0	37,470	37,470
Other Financing Sources	0	8	8
Total Other Financing Sources	0	37,478	37,478
Excess of Cash Receipts and Other Financing Sources Under Cash Disbursements	(20,000)	7,705	(12,295)
Fund Cash Balances, January 1	15,563	101,598	117,161
Fund Cash Balances (Deficit), December 31	(\$4,437)	\$109,303	\$104,866

The notes to the financial statements are an integral part of this statement.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Scioto Ambulatory District to provide ambulance services. The Scioto Ambulatory District is defined as a jointly governed organization and is described in Note 8.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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 accounting basis the Auditor of State of Ohio prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned and recognizes disbursements 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 the Auditor of State prescribes or permits.

Cash

The Township maintains its cash pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

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

General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds account for proceeds from specific sources (other than those from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Special Levy Fund - This fund receives property tax money to provide fire protection for the residents of the Township.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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 fund, function or 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 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 individual commitments are made. Encumbrances outstanding at year-end are cancelled and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Note 2 – Equity in Pooled Cash

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$133,564	\$104,866

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

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,618	\$66,923	\$11,305
Special Revenue	182,245	442,502	260,257
Total	<u>\$237,863</u>	<u>\$509,425</u>	<u>\$271,562</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$76,036	\$78,301	(\$2,265)
Special Revenue	305,191	402,426	(97,235)
Total	<u>\$381,227</u>	<u>\$480,727</u>	<u>(\$99,500)</u>

Budgetary activity for the year ending December 31, 2008 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,773	\$64,689	\$10,916
Special Revenue	184,336	231,189	46,853
Total	<u>\$238,109</u>	<u>\$295,878</u>	<u>\$57,769</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$84,689	(\$84,289)
Special Revenue	0	232,484	(232,484)
Total	<u>\$0</u>	<u>\$317,173</u>	<u>(\$317,173)</u>

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 – Property Taxes (Continued)

Public utilities are also taxed on personal and real property located within the Township.

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

Note 5 – Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Land Note	\$11,064	4.75%
Fire Truck Note	25,506	4.25%
OPWC Loan	28,392	0.00%
Total	\$64,962	

On December 9, 1999, the Township issued a note to finance the purchase of a new fire truck to be used for Township fire protection. The note to purchase the fire truck was secured by the truck. This note was retired in 2008.

On April 14, 2006, the Township issued a note to finance the purchase of land to be used for the Township cemetery. The note to purchase the land is secured by the land.

On October 28, 2008, the Township issued a note to finance the purchase of a new fire truck to be used for Township fire protection. The note to purchase the fire truck is secured by the fire truck.

On November 15, 2003, the Township entered into a loan with Ohio Public Works Commission (OPWC) to finance the Carpenter Road improvement project. The note to finance this project is secured by the full faith and credit of the Township.

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

Year Ending December 31:	Land Note	Fire Truck Note	OPWC Loan
2010	\$7,734	\$13,448	\$7,098
2011	3,867	13,448	7,098
2012	0	6,725	7,098
2013	0	0	7,098
Total	\$11,601	\$33,621	\$28,392

Note 6 – Retirement System

The Township’s employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which includes postretirement healthcare and survivor and disability benefits.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 – Retirement System (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$9,523.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Union Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management (Continued)

Contributions to OTARMA	
2008	\$8,604
2009	8,900

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – Jointly Governed Organization

The Township is a member of the Scioto Ambulatory District. The Ambulatory District is directed by an appointed five-member Board. The District provides ambulatory services to the areas of Brush Creek Township, Rush Township, Union Township, Morgan Township and the Village of Otway. A representative from each Township or Village is appointed to the Scioto Ambulatory District Board. The Ambulatory District is supported by taxes that are collected by the Scioto County Auditor from the property owners in Union Township. These taxes are paid to the Ambulatory District by the County. The Township does not assist in funding the Ambulatory District.

Note 9 – Accountability and Compliance

- The Township did not competitively bid contracts in accordance with Ohio Revised Code Section 731.14.
- The Township had appropriations in excess of available resources contrary to Ohio Revised Code Section 5705.36.
- The Township had appropriations in excess of estimated resources contrary to Ohio Revised Code Section 5705.39.
- The Township did not always certify the availability of funds contrary to Ohio Revised Code Section 5705.41(D).
- The Township had expenditures in excess of appropriations contrary to Ohio Revised Code Section 5705.41(B).
- The Township did not properly pay Trustees in accordance with Ohio Revised Code Section 505.24.
- The Township had negative fund balances contrary to Ohio Revised Code Section 5705.10.
- The Township did not pass appropriations in 2008 in accordance with Ohio Revised Code Section 5705.38.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Union Township
Scioto County
7239 Big Spruce Little Bear Creek Road
Otway, Ohio 45657

We have audited the financial statements of Union Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 30, 2010, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit 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 audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These items are identified as findings 2009-1 and 2009-2.

Union Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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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 the 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 or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2009-3 through 2009-10.

We noted certain matters that we reported to management of the Township in a separate letter dated August 30, 2010.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

August 30, 2010

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2009-1

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified revenues and expenses in both 2008 and 2009 and in some instances posted receipts and expenditures to the incorrect funds. These errors have been corrected in the accompanying financial statements. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Township Response:

The fiscal officer now has a better understanding of how to post the revenues to make sure they are in the right account.

Finding Number 2009-2

Material Weakness – Budgetary Information in UAN

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Appropriations were not filed with the County Auditor in 2008, yet UAN reports showed appropriation amounts. Furthermore, amendments were made to the UAN system without Board approval. Failure to properly document authorized budgetary amounts within the UAN system does not allow for proper monitoring of budget to actual figures. The Township should implement the appropriate procedures to ensure that only authorized budgetary amounts are included in UAN.

Township Response:

This was movement within funds that had been established in 2006. This has been in organizational meeting notes every year since. The fiscal officer now has a better understanding of this on why not to do.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Finding Number 2009-3

Noncompliance Citation – Ohio Revised Code Section 5705.41 (D)

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances. The statute provides the following exceptions to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Sixty-six percent of disbursements tested in 2008 and eighty-seven percent of disbursements tested in 2009 had invoice dates preceding the encumbrance date. Failure to certify the availability of funds properly can result in over spending funds and negative cash fund balances. Management failed to properly monitor purchasing needs and encumber funds prior to commitment. The Township should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment.

Township Response:

The fiscal officer now has a better understanding of how that is to be done. This will be better in the future.

Finding Number 2009-4

Noncompliance Citation – Ohio Revised Code Section 5705.36

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Township had appropriations in excess of available resources in the Cemetery Fund during 2009. The condition put the Township at risk of overspending without sufficient available funds. The Township should implement additional monitoring procedures to ensure the appropriations are within available sources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

Township Response:

The fiscal officer will take better control and use recommendation to check periodically to keep this from happening.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Finding Number 2009-5

Noncompliance Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states that that total appropriations from each fund shall not exceed the total estimated resources. The Township had appropriations in excess of estimated resources in the General Fund, Gas Tax Fund, Cemetery Fund and Fire District Fund in 2009. Failure to properly monitoring budgetary variances subjects the Township to the risk of overspending. The Township should implement the appropriate procedures, such as periodic comparisons of estimated resources to appropriations, to ensure that appropriations are limited to estimated resources to ensure improper spending does not occur.

Township Response:

The fiscal officer will take better control and use recommendation to check periodically to keep this from happening.

Finding Number 2009-6

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in the Fire District Fund in 2009 and the General, Motor Vehicle License Tax, Road and Bridge, Cemetery, Fire District, and Permissive Motor Vehicle License Tax Funds in 2008. Failure to properly monitor budget to actual activity subjects the Township to the risk of unauthorized or improper spending. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized and appropriated amounts.

Township Response:

The fiscal officer now has a better understanding of how this all works together. This will be controlled better now.

Finding Number 2009-7

Noncompliance Citation – Ohio Revised Code Section 505.37

Ohio Revised Code Section 505.37 states, in part, that a township may guard against the occurrence of fire, may protect the property and lives of the citizens against damage, and may purchase the necessary fire equipment. Ohio Revised Code Section 505.42 states, in part, that a board of township trustees may enter into contracts for the purposes set forth in section 5050.37, but must comply with the competitive bidding procedures found in Ohio Revised Code Sections 741.14 - .16. Ohio Revised Code Section 731.14 requires competitive bidding where expenditure for equipment exceeds twenty-five thousand dollars.

Although the Township had the authority to purchase the fire equipment, the Township failed to competitively bid the purchase as required in the aforementioned statutes. The Board of Trustees should competitively bid all fire-related purchases in accordance with the Ohio Revised Code.

Township Response:

This will be done in the future and has been better since this time.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Finding Number 2009-8

Noncompliance Citation – Ohio Revised Code Section 505.24

Ohio Revised Code Section 505.24 sets forth the method by which a township trustee's compensation should be allocated. This Section is amplified by Ohio Attorney General Opinion Number 2004-036. The Section requires the following:

1. Trustees receiving per diem compensation: The trustees must resolve a method by which each trustee shall periodically notify the township clerk of the number of days spent on township services and the kinds services rendered, as documented.
2. Trustees receiving compensation by annual salary: By resolution, Ohio Revised Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code Section 505.24(C) does not prescribe a "documentation of time spent" requirement. However, for salaries not paid from the General Fund OAG Opinion Number 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative" procedures can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees does not document their time, then no part of salaries may be paid from these other funds.

The Trustee's did not keep record of time spent to support charges to funds other than the General Fund, nor was there other documentation of how the Clerk allocated the amounts charged to the other funds. The Trustees should keep records of the time spent on various tasks and the fund to which the township will charge these costs. The Clerk should allocate the Trustee's pay according to the time spent.

Township Response:

This was established before the current fiscal officer taking office. From here on out this will be documented to adhere to the codes. The resolution was passed by the Board on May 24, 2004.

Finding Number 2009-9

Noncompliance Citation – Ohio Revised Code Section 5705.10

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Township's general fund had negative fund balance in both 2008 and 2009. The Township should implement the appropriate procedures to ensure that money paid into a fund is used only for the purposes for which the fund has been established.

Township Response:

This was due to the charge back for trustees' salaries from Gas fund due to not having time sheets to document hours. This will be taken care of in the future.

Union Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

Finding Number 2009-10

Timely Passage of Appropriations

Ohio Revised Code Section 5705.38 (A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township noted in the minutes that an appropriation measure was passed on January 22, 2009; however, the Township did not file it with the County Auditor nor were they able to provide it for audit. This resulted in expenditure exceeding appropriations due to expenditures being made between January 1, 2009 and December 31, 2009.

The Township should implement the appropriate procedures to ensure that appropriations are passed and filed with the county auditor on or about the first day of the year.

Township Response:

The fiscal officer did not fully understand procedures at the time. This has been done properly since.

Union Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2007-001	Noncompliance – ORC 505.601 – Health Care Reimbursement	Yes	Corrected
Finding 2007-002	Noncompliance – ORC 5705.36 – Appropriations in Excess of Available Resources	No	Reissued as Finding 2009-3
Finding 2007-003	Noncompliance – ORC 5705.38 – Approval of Appropriations	No	Reissued as Finding 2009-10
Finding 2007-004	Noncompliance – ORC 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2009-5
Finding 2007-005	Noncompliance – ORC 5705.41(D) – Prior Certification of Funds	No	Reissued as Finding 2009-2

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Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

SCIOTO 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
NOVEMBER 16, 2010**