



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
BELMONT COUNTY**

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Mary Taylor, CPA
Auditor of State

Union Township
Belmont County
101 Memory Lane
P.O. Box 1
Morristown, Ohio 43759

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 17, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Belmont County
101 Memory Lane
P.O. Box 1
Morristown, Ohio 43759

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Belmont County, Ohio (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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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 require 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 townships 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.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Union Township, Belmont 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 May 17, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

May 17, 2010

**UNION TOWNSHIP
BELMONT 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**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$27,070	\$162,676	\$	\$	\$189,746
Licenses, Permits, and Fees		1,700			1,700
Intergovernmental	82,310	143,352			225,662
Earnings on Investments	282	139			421
Miscellaneous	867	445			1,312
Total Cash Receipts	<u>110,529</u>	<u>308,312</u>	<u>0</u>	<u>0</u>	<u>418,841</u>
Cash Disbursements:					
Current:					
General Government	114,240	730			114,970
Public Safety		95,532			95,532
Public Works	31,248	147,408			178,656
Health		4,705			4,705
Capital Outlay			1,522		1,522
Debt Service:					
Redemption of Principal	2,051	18,000			20,051
Interest and Other Fiscal Charges		2,974			2,974
Total Cash Disbursements	<u>147,539</u>	<u>269,349</u>	<u>1,522</u>	<u>0</u>	<u>418,410</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(37,010)</u>	<u>38,963</u>	<u>(1,522)</u>	<u>0</u>	<u>431</u>
Other Financing Receipts / (Disbursements):					
Advances-In	1,000	1,000			2,000
Advances-Out	(1,000)	(1,000)			(2,000)
Other Financing Sources	3,292				3,292
Total Other Financing Receipts / (Disbursements)	<u>3,292</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,292</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(33,718)</u>	<u>38,963</u>	<u>(1,522)</u>	<u>0</u>	<u>3,723</u>
Fund Cash Balances, January 1	<u>119,122</u>	<u>214,776</u>	<u>3,675</u>	<u>1,500</u>	<u>339,073</u>
Fund Cash Balances, December 31	<u>\$85,404</u>	<u>\$253,739</u>	<u>\$2,153</u>	<u>\$1,500</u>	<u>\$342,796</u>

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

**UNION TOWNSHIP
BELMONT 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**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$27,430	\$155,782	\$	\$	\$183,212
Licenses, Permits, and Fees		1,300			1,300
Intergovernmental	143,890	204,547			348,437
Earnings on Investments	429	150			579
Miscellaneous	641	200			841
	<u>172,390</u>	<u>361,979</u>	<u>0</u>	<u>0</u>	<u>534,369</u>
Cash Disbursements:					
Current:					
General Government	82,263	1,069			83,332
Public Safety		126,739			126,739
Public Works	10,794	308,637			319,431
Health	15,967	4,395			20,362
Capital Outlay		55,244	1,325		56,569
Debt Service:					
Redemption of Principal		15,559			15,559
Interest and Other Fiscal Charges		1,744			1,744
	<u>109,024</u>	<u>513,387</u>	<u>1,325</u>	<u>0</u>	<u>623,736</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>63,366</u>	<u>(151,408)</u>	<u>(1,325)</u>	<u>0</u>	<u>(89,367)</u>
Other Financing Receipts / (Disbursements):					
Other Debt Proceeds		55,244			55,244
Sale of Fixed Assets		9,227			9,227
Transfers-In			5,000		5,000
Transfers-Out	(5,000)				(5,000)
Advances-In	5,812				5,812
Advances-Out		(5,812)			(5,812)
	<u>812</u>	<u>58,659</u>	<u>5,000</u>	<u>0</u>	<u>64,471</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	64,178	(92,749)	3,675	0	(24,896)
Fund Cash Balances, January 1	54,944	307,525	0	1,500	363,969
Fund Cash Balances, December 31	<u>\$119,122</u>	<u>\$214,776</u>	<u>\$3,675</u>	<u>\$1,500</u>	<u>\$339,073</u>

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Belmont 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 Morristown, Bethesda, and Lafferty Volunteer Fire Departments to provide fire services and Belmont, Bethesda, and Lafferty Volunteer Fire Departments to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State 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.

C. Deposits

The Township values certificates of deposits at cost.

D. 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:

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than 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:

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

Building Fund - The Township transferred monies from the General Fund to pay for repairs to the Township building that houses road equipment.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

1. 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.

2. 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.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	\$339,796	\$336,073
Certificates of deposit	3,000	3,000
Total deposits	\$342,796	\$339,073

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008, follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,438	\$113,821	\$31,383
Special Revenue	270,600	308,312	37,712
Total	\$353,038	\$422,133	\$69,095

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$167,359	\$147,539	\$19,820
Special Revenue	343,005	269,349	73,656
Capital Projects	3,000	1,522	1,478
Total	\$513,364	\$418,410	\$94,954

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$86,898	\$172,390	\$85,492
Special Revenue	268,685	426,450	157,765
Capital Projects		5,000	5,000
Total	\$355,583	\$603,840	\$248,257

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,785	\$114,024	\$14,761
Special Revenue	360,090	513,387	(153,297)
Capital Projects	5,000	1,325	3,675
Total	\$493,875	\$628,736	(\$134,861)

Contrary to Ohio law, budgetary expenditures exceeded appropriations at the legal level of control in several funds for the years ended December 31, 2009 and 2008.

4. Property Tax

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.

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

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.

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt

Debt outstanding at December 31, 2009, was as follows:

	Principal	Interest Rate
Promissory Note	\$39,684	5.35%

The Township issued a promissory note to finance the purchase of a 2008 Ford F550 truck to be used for Township road maintenance. The truck collateralized the note.

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

	Promissory Note
Year ending December 31:	
2010	\$11,945
2011	11,945
2012	11,945
2013	5,972
Total	\$41,807

6. Retirement Systems

The Township's officials and employees 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.

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

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.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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.

<u>Contributions to OTARMA</u>	
2007	\$4,405
2008	\$4,265
2009	\$4,466

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

8. Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Union Township
Belmont County
101 Memory Lane
P.O. Box 1
Morristown, Ohio 43759

To the Board of Trustees:

We have audited the financial statements of Union Township, Belmont County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 17, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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 opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined 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. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. 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 entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-006 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2009-004 and 2009-005 described in the accompanying Schedule of Findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 17, 2010.

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

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 17, 2010

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
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 2009-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.

During 2009 and 2008, the Fiscal Officer posted various receipts to improper funds.

In 2009, homestead and rollback tax was posted entirely to the General Fund in the amount of \$21,524. Per the semi-annual tax apportionment sheets received from the County Auditor the Road and Bridge, Fire District A, Fire District D, Special Levy Emergency Medical Service (EMS) B, and Special Levy EMS C Funds' should have received \$9,406, \$2,459, \$5,791, \$2,576, and \$1,292, respectively.

In 2008, homestead and rollback tax was posted entirely to the General Fund in the amount of \$21,305. Per the semi-annual tax apportionment sheets received from the County Auditor the Road and Bridge, Fire District A, Fire District D, Special Levy EMS B, and Special Levy EMS C Funds' should have received \$9,161, \$2,473, \$5,789, \$2,586, and \$1,296, respectively.

In 2009 and 2008, excess International Registration Plan (IRP) monies in the amounts of \$454 and \$579, respectively, were posted to the General Fund instead of the Motor Vehicle License Tax Fund.

In 2009, a Township gasoline tax receipt in the amount of \$4,569 was posted to the Motor Vehicle License Tax Fund instead of the Gasoline Tax Fund.

In 2008, a personal property reimbursement in the amount of \$1,013 was posted to the Fire District D Fund instead of Special Levy EMS C Fund.

All of the adjustments noted above have been agreed to by Township management and have been posted to the Township's records and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer post the homestead and rollback tax to the funds in accordance with the semi-annual tax apportionment sheets as received by the County Auditor. We also recommend any future excess IRP monies be posted to the Motor Vehicle License Tax Fund. We also recommend any future township gasoline tax monies received from the county be posted to the Gasoline Tax Fund. We also recommend any personal property reimbursements be posted in accordance with the semi-annual tax apportionment sheets as received by the County Auditor.

Officials' Response: The Township Fiscal Officer will post the homestead and rollback monies in accordance with the semi-annual tax apportionment sheets in the future.

Auditor of State's Conclusion: We appreciate the Fiscal Officer's commitment to post homestead and rollback monies properly. We also encourage the Fiscal Officer to address the other matters described above.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During 2009, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2009:

Fund/ Function/ Object	Appropriations	Expenditures	Variance
Road and Bridge Fund			
General Government/ Account and Legal Services	\$0	\$730	(\$730)
Public Works/ Operating Supplies	25,000	50,636	(25,636)
Debt Service/ Interest Payments - Notes	2,000	2,974	(974)
EMS B Fund			
Public Safety/ Contracted Services	20,100	22,000	(1,900)
Public Safety / Tax Collection Fees	0	300	(300)

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)

During 2008, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2008:

Fund/ Function/ Object	Appropriations	Expenditures	Variance
General Fund			
General Government/ Salaries - Trustees	\$27,800	\$28,488	(\$688)
General Government / Township Fiscal Officer	14,200	15,552	(1,352)
General Government / Ohio Public Employees Retirement System	5,800	6,166	(366)
General Government / Tax Collection Fees	600	2,004	(1,404)
General Government/ Property Insurance Premiums	4,500	6,588	(2,088)
Other Financing Uses / Transfers-Out	0	5,000	(5,000)
Road and Bridge Fund			
Public Works / Operating Supplies	110,000	210,656	(100,656)
Capital Outlay/ Machinery, Equipment, and Furniture	0	55,244	(55,244)
Debt Service/ Interest Payments	1,600	1,745	(145)
Fire A Fund			
Public Safety / Contracted Services	17,000	25,380	(8,380)
Fire D Fund			
Public Safety/ Tax Collection Fees	0	1,266	(1,266)
Public Safety / Contracted Services	45,000	69,641	(24,641)
EMS B Fund			
Public Safety / Contracted Services	18,000	20,500	(2,500)

The majority of these variances resulted from the posting of audit adjustments necessary to agree legislatively-approved appropriations to amounts posted to the appropriations ledger.

We recommend all appropriation changes be approved by the Board of Trustees prior to posting to the appropriations ledger. The Township Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure. In addition, we recommend the Fiscal Officer post appropriations to the computer system as approved by the Board of Trustees.

Officials' Response: Appropriations were filed with the County Auditor each year; however, in the future, amendments between appropriation line items will be brought to the Township Trustees for their approval.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township 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 Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D) (Continued)

Of the expenditures tested, we noted in 2009 and 2008, that 92% and 86% of transactions, respectively, were not certified as to the availability of funds prior to incurring these obligations and there was no evidence of a “Then and Now” certificate being utilized. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the Township Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response: The Fiscal Officer will revise the use of purchase orders to utilize more blanket certificates.

FINDING NUMBER 2009-004

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised February 2010) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2009 and 2008, Township’s receipts/ expenditures were not always posted to accurate receipt /expenditure classifications, based upon the source of the receipt/ purpose of disbursement.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-004 (Continued)

Significant Deficiency (Continued)

For example, in 2009, an estate tax settlement in the amount of \$21,600 was posted at net in the amount of \$13,684 and no entry was made to post the related fees of \$7,916. The related fees should have been posted to general government expenditures. Also in 2009, personal property reimbursements of \$2,054, \$5,416, \$5,564, \$1,514, \$2,817, and \$2,782 were posted to "taxes" instead of "intergovernmental revenue" in the General, Road and Bridge, Fire District A, Fire District D, Special Levy EMS B, and Special Levy EMS C Funds', respectively. Also in 2009, a partial debt payment for principal in the amount of \$2,051 was posted as "Public Works / other-other expense" instead of a "principal payment" in the General Fund.

In 2008, personal property reimbursements of \$825, \$2,283, \$1,179, \$2,358, \$1,179, and \$589 were posted to "taxes" instead of "intergovernmental revenue" in the General, Road and Bridge, Fire District A, Fire District D, Special Levy EMS B, and Special Levy EMS C Funds', respectively. Also in 2008, the Township received \$55,244 and \$9,227 in "Debt Proceeds" and "Sale of Fixed Assets" which were posted to the Road & Bridge Fund; however, the monies were posted to the line item "Other – Miscellaneous Revenue". This caused material adjustments to the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipt/expenditure transactions.

Officials' Response: The Fiscal Officer will utilize the Ohio Township Handbook when a question arises as to proper classification.

FINDING NUMBER 2009-005

Significant Deficiency

The Auditor of State provided through Auditor of State Audit Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on-behalf-of grants or loans. For payments made to a contractor of a project by a grantor directly, the grantor will notify the fiscal officer of the amount disbursed.

Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate fund equal to the amount disbursed by the grantor on their behalf.

The Township was the beneficiary of an Issue 1 grant administered by Belmont County on their behalf. The Township did not record receipts or disbursements on their accounting records for this grant during 2008. The Issue 1 receipts and expenditures were \$41,558. Adjustments were made to properly reflect this activity on the accompanying financial statement in 2008.

We recommend the Township refer to Auditor of State Audit Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all monies expended on-behalf-of the Township.

Officials' Response: The Fiscal Officer will refer to Auditor of State Audit Bulletins 2000-008 and 2002-004 in the future when the township receives on-behalf-of grants or loans.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-006

Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Fiscal Officer did not accurately post appropriations to the Uniform Accounting Network (UAN) appropriation ledgers. Variances existed between the amount approved by the Board of Trustees and the amount posted to the accounting system as follows:

December 31, 2009:

Fund	Approved Appropriations	Appropriations per the UAN system	Variance
Gasoline Tax Fund:			
Public Works	\$166,000	\$86,000	\$80,000
Road & Bridge Fund:			
General Government	0	730	(730)
Public Works	32,800	62,800	(30,000)
Debt Service	20,000	20,974	(974)
Fire A Fund:			
Public Safety	19,925	19,971	(46)
EMS B Fund:			
Public Safety	20,100	22,300	(2,200)
Capital Projects Fund:			
Capital Outlay	3,000	1,627	1,373

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-006 (Continued)

Material Weakness (Continued)

December 31, 2008:

Fund	Approved Appropriations	Appropriations per the UAN system	Variance
General Fund:			
General Government	\$88,785	\$101,983	(\$13,198)
Public Works	22,500	17,500	5,000
Transfers-Out	0	5,000	(5,000)
Road and Bridge Fund:			
General Government	2,000	239	1,761
Public Works	117,600	181,202	(63,602)
Capital Outlay	0	55,244	(55,244)
Debt Service	27,600	27,745	(145)
Cemetery Fund:			
Health	5,000	7,000	(2,000)
Fire A Fund:			
Public Safety	17,910	26,305	(8,395)
Fire D Fund:			
Public Safety	45,500	98,821	(53,321)
EMS B Fund:			
General Government	1,300	0	1,300
Public Safety	18,680	22,480	(3,800)
EMS C Fund:			
General Government	400	0	400
Public Safety	9,500	11,200	(1,700)

Also, the Fiscal Officer did not properly post budgeted receipts to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system throughout the year. The following details these variances:

December 31, 2009:

Fund	Budgeted Receipts per Amended Certificate	Budgeted Receipts per Accounting System	Variance
General Fund	\$82,438	\$140,414	\$57,976
Motor Vehicle License Tax Fund	16,000	0	16,000
Gasoline Tax Fund	86,000	0	86,000
Road and Bridge Fund	68,500	0	68,500
Cemetery Fund	5,000	3,605	(1,395)

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-006 (Continued)

Material Weakness (Continued)

December 31, 2008:

Fund	Budgeted Receipts per Amended Certificate	Budgeted Receipts per Accounting System	Variance
General Fund	\$86,898	\$0	(\$86,898)
Motor Vehicle License Tax Fund	16,480	0	(16,480)
Gasoline Tax Fund	85,000	0	(85,000)
Road and Bridge Fund	68,500	0	(68,500)
Cemetery Fund	3,605	0	(3,605)
Fire A Fund	18,500	0	(18,500)
Fire D Fund	46,500	0	(46,500)
EMS B Fund	20,100	0	(20,100)
EMS D Fund	10,000	0	(10,000)

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor and appropriations per the appropriation resolution.

We recommend the Board of Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Fiscal Officer should post these amendments only after the required approvals have been obtained. We also recommend the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto to the accounting system.

Officials' Response: Appropriations were filed with the County Auditor each year; however, in the future, amendments between appropriation line items will be brought to the Township Trustees for their approval.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
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>
2007-001	Ohio Rev. Code Section 5705.10(C), receipts posted to improper funds.	No	Not corrected; Reissued as Finding No. 2009-001.
2007-002	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources in several funds.	No	Not corrected; Reissued in management letter.
2007-003	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in several funds at the legal level of control.	No	Not corrected; Reissued as Finding No. 2009-002.
2007-004	Ohio Rev. Code Section 5705.41(D)(1), not certifying availability of funds prior to incurring an obligation.	No	Not corrected; Reissued as Finding No. 2009-003.
2007-005	Ohio Admin. Code Section 117-2-02(A), receipts/ expenditures were not always posted into accurate receipt/ expenditure classifications based upon source of the receipt/ purpose of disbursement.	No	Not corrected; Reissued as Finding No. 2009-004.



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

BELMONT 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
JUNE 10, 2010**