

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009



Dave Yost • Auditor of State

Board of Trustees
Union Township
2393 Liberty Union Road
Convoy, Ohio 45832

We have reviewed the *Independent Auditor's Report* of Union Township, Van Wert County, prepared by E.S. Evans and Company, for the audit period January 1, 2009 through December 31, 2010. 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.

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Dave Yost
Auditor of State

June 27, 2011

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UNION TOWNSHIP
VAN WERT COUNTY, OHIO

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Steven D. Hooker, CPA • John E. Klay, CPA

May 26, 2011

INDEPENDENT AUDITOR'S REPORT

Union Township
Van Wert County, Ohio

We have audited the accompanying financial statements of Union Township, Van Wert County, (the Township) as of and for the years ended December 31, 2010 and 2009. 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. 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 require presenting entity wide statements and also to present its larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require 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, 2010 and 2009 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, 2010 and 2009, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2010 and 2009, 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 26, 2011, 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.

A handwritten signature in red ink, appearing to read "E. J. Green and Associates", is located in the lower right quadrant of the page.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES

For the Year Ended December 31, 2010

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>				
Property and Other Local Taxes	\$ 39,292	\$ 57,176	\$ 11,099	\$ 107,567
Licenses, Permits, and Fees	38,268	3,350	-	41,618
Intergovernmental Revenues	186,819	112,700	54,430	353,949
Interest Revenues	55	5	-	60
Miscellaneous	-	3,000	-	3,000
Total Cash Receipts	<u>264,434</u>	<u>176,231</u>	<u>65,529</u>	<u>506,194</u>
<u>Cash Disbursements:</u>				
Current -				
General Government	66,066	-	-	66,066
Public Safety	-	22,502	-	22,502
Public Works	70,091	118,974	-	189,065
Health	12,746	2,475	-	15,221
Capital Outlay	12,195	2,350	61,350	75,895
Total Cash Disbursements	<u>161,098</u>	<u>146,301</u>	<u>61,350</u>	<u>368,749</u>
Total Cash Receipts Over/(Under)				
Cash Disbursements	<u>103,336</u>	<u>29,930</u>	<u>4,179</u>	<u>137,445</u>
Other Financing Receipts/(Disbursements):				
Other Financing Sources	5,523	-	-	5,523
Other Financing Uses	-	-	-	-
Total Other Financing Receipts/(Disbursements)	<u>5,523</u>	<u>-</u>	<u>-</u>	<u>5,523</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	108,859	29,930	4,179	142,968
<u>Fund Cash Balance - January 1, 2010</u>	<u>62,152</u>	<u>67,324</u>	<u>-</u>	<u>129,476</u>
<u>Fund Cash Balance - December 31, 2010</u>	<u>\$ 171,011</u>	<u>\$ 97,254</u>	<u>\$ 4,179</u>	<u>\$ 272,444</u>

The accompanying notes are an integral part
of these financial statements.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL
FUND TYPES

For the Year Ended December 31, 2009

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<u>Cash Receipts:</u>			
Property and Other Local Taxes	\$ 40,063	\$ 46,663	\$ 86,726
Licenses, Permits, and Fees	332	1,375	1,707
Intergovernmental Revenues	60,334	109,873	170,207
Interest Revenues	50	15	65
Miscellaneous	-	1,500	1,500
Total Cash Receipts	<u>100,779</u>	<u>159,426</u>	<u>260,205</u>
<u>Cash Disbursements:</u>			
Current -			
General Government	64,288	-	64,288
Public Safety	-	21,133	21,133
Public Works	50,719	102,167	152,886
Health	11,917	2,040	13,957
Capital Outlay	57,312	50,000	107,312
Total Cash Disbursements	<u>184,236</u>	<u>175,340</u>	<u>359,576</u>
Total Cash Receipts Over/(Under)			
Cash Disbursements	<u>(83,457)</u>	<u>(15,914)</u>	<u>(99,371)</u>
Other Financing Receipts/(Disbursements):			
Other Financing Sources	-	-	-
Other Financing Uses	-	-	-
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(83,457)	(15,914)	(99,371)
<u>Fund Cash Balance - January 1, 2009</u>	<u>145,609</u>	<u>83,238</u>	<u>228,847</u>
<u>Fund Cash Balance - December 31, 2009</u>	<u>\$ 62,152</u>	<u>\$ 67,324</u>	<u>\$ 129,476</u>

The accompanying notes are an integral part
of these financial statements.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

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, Van Wert County, (the Township), as a political and corporate body. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Village of Convoy and the Village of Scott to provide fire and ambulance services.

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

Basis of Accounting

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

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

Cash and Investments

The Township maintains a checking account which is valued at cost.

Fund Accounting

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

General Fund

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

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies - (continued)

Fund Accounting - (continued)

Special Revenue Funds

The Special Revenue Funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

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

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

Motor Vehicle License Fund – This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund – This fund receives County tax money to provide fire and Ambulance services for the Township residents.

Cemetery Fund – This fund receives proceeds from sale of lots and burial fees to maintain 2 active cemeteries in the Township.

Capital Projects Fund

The Capital Projects Fund accounts 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 funds:

Permanent Improvement Fund – This fund accounts for grant from the State of Ohio to repave roads as well as TIF monies to be used for road maintenance.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies

Budgetary Process

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

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies - (continued)

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 used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2010	2009
Demand Deposits	\$ <u>272,444</u>	\$ <u>129,476</u>
Total Deposits	\$ <u><u>272,444</u></u>	\$ <u><u>129,476</u></u>

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 322,882	\$ 269,957	\$ (52,925)
Special Revenue	236,854	176,231	(60,623)
Capital Projects	65,461	65,529	68
	<u>\$ 625,197</u>	<u>\$ 511,717</u>	<u>\$ (113,480)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 292,086	\$ 161,098	\$ 130,988
Special Revenue	189,159	146,301	42,858
Capital Projects	65,461	61,350	4,111
	<u>\$ 546,706</u>	<u>\$ 368,749</u>	<u>\$ 177,957</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 240,559	\$ 100,779	\$ (139,780)
Special Revenue	237,658	159,426	(78,232)
	<u>\$ 478,217</u>	<u>\$ 260,205</u>	<u>\$ (218,012)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 223,726	\$ 184,236	\$ 39,490
Special Revenue	202,424	175,340	27,084
	<u>\$ 426,150</u>	<u>\$ 359,576</u>	<u>\$ 66,574</u>

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 4 - Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Trustees adopts 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

Note 5 – Retirement Systems

Ohio Public Employees Retirement System (OPERS)

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10 percent of their gross salary. The Township contributed an amount equal to 14 percent of participants' gross salaries. The Township has paid all required contributions through December 31, 2010.

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 6 - Risk Management

Risk Pool Membership

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.

For January 1, 2009 through October 15, 2009, the Township belonged 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 township.

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 (the latest information available):

	<u>2009</u>		<u>2008</u>
Assets	\$ 38,983,088	\$	40,737,740
Liabilities	(12,880,766)		(12,981,818)
Retained Earnings	\$ 26,102,322	\$	27,755,922

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 6 - Risk Management – (continued)

At December 31, 2009 and 2008, respectively, liabilities noted above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member townships 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 \$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.

The Townships contributions paid to OTARMA for the past three years are as follows:

Township Contributions to <u>OTARMA</u>	
2006	\$6,984
2007	5,850
2008	5,632

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 became the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal. Union Township withdrew from OTARMA effective October 15, 2009.

Ohio Government Risk Management Plan

Effective October 16, 2009, the Township contracted with the Ohio Government Risk Management Plan, an insurance pool, for the following coverages:

UNION TOWNSHIP
VAN WERT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

Note 6 - Risk Management – (continued)

Summary of coverage in effect at December 31, 2010:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Property	\$ 368,019	\$ 500
General Liability		
Each Occurrence	\$ 2,000,000	\$ -
Aggregate	\$ 4,000,000	\$ -
Wrongful Acts		
Each Occurrence	\$ 2,000,000	\$ 1,000
Aggregate	\$ 4,000,000	\$ 1,000
Inland Marine	\$ 31,057	\$ 500
Crime - Public Employee Dishonesty	\$ 5,000	\$ -

Settled claims have not exceeded coverage in any of the past three years, and there has not been any significant reduction on coverage from year to year.

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E.S. Evans and Company

Certified Public Accountants

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May 26, 2011

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

Union Township
Van Wert County, Ohio

We have audited the financial statements of the Union Township, Van Wert County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated May 26, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our 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 Union Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of Union Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Union Township's internal control over financial reporting.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether Union 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 no instances of noncompliance or other matters that we must report under Government Auditing Standards.

However, we did note a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 26, 2011

We intend this report solely for the information and use of management of Union Township and the Auditor of State of Ohio. It is not intended for anyone other than these specified parties.

A handwritten signature in red ink, appearing to read "E. L. Green and Company".



Dave Yost • Auditor of State

UNION TOWNSHIP

VAN WERT 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
JULY 7, 2011