



Dave Yost • Auditor of State

**UNION TOWNSHIP
BELMONT COUNTY**

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Dave Yost • 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 "Dave Yost".

Dave Yost
Auditor of State

July 31, 2012

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Dave Yost • 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, 2011 and 2010. 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(A) mandates 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.

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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, 2011 and 2010 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, 2011 and 2010, 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 as of December 31, 2011 and 2010 of Union Township, Belmont County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2012, 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.



Dave Yost
Auditor of State

July 31, 2012

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, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Project	Permanent	
Cash Receipts					
Property and Other Local Taxes	\$30,615	\$182,290	\$	\$	\$212,905
Licenses, Permits and Fees		3,350			3,350
Intergovernmental	468,500	141,988			610,488
Earnings on Investments	245	144			389
Miscellaneous	711	1,329			2,040
Total Cash Receipts	<u>500,071</u>	<u>329,101</u>	<u>0</u>	<u>0</u>	<u>829,172</u>
Cash Disbursements					
Current:					
General Government	74,838	8,195			83,033
Public Safety		118,042			118,042
Public Works	72,910	215,570			288,480
Health	12,776	6,335			19,111
Debt Service:					
Redemption of Principal		11,191			11,191
Interest and Fiscal Charges		1,422			1,422
Total Cash Disbursements	<u>160,524</u>	<u>360,755</u>	<u>0</u>	<u>0</u>	<u>521,279</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	<u>339,547</u>	<u>(31,654)</u>	<u>0</u>	<u>0</u>	<u>307,893</u>
Other Financing Receipts / (Disbursements):					
Sale of Capital Assets		1,476			1,476
Advances In		3,128			3,128
Advances Out	(3,128)				(3,128)
Other Financing Sources	6				6
Total Other Financing Receipts (Disbursements)	<u>(3,122)</u>	<u>4,604</u>	<u>0</u>	<u>0</u>	<u>1,482</u>
Net Change in Fund Cash Balances	<u>336,425</u>	<u>(27,050)</u>	<u>0</u>	<u>0</u>	<u>309,375</u>
Fund Cash Balances, January 1	<u>71,283</u>	<u>205,100</u>	<u>2,153</u>	<u>1,500</u>	<u>280,036</u>
Fund Cash Balances, December 31					
Nonspendable				1,500	1,500
Restricted		178,050			178,050
Assigned			2,153		2,153
Unassigned	407,708				407,708
Fund Cash Balances, December 31	<u>\$407,708</u>	<u>\$178,050</u>	<u>\$2,153</u>	<u>\$1,500</u>	<u>\$589,411</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, 2010**

	<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	\$29,423	\$169,049	\$	\$	\$198,472
Licenses, Permits, and Fees		2,950			2,950
Fines and Forfeitures	5				5
Intergovernmental	66,025	188,944			254,969
Earnings on Investments	212	200			412
Miscellaneous	77	300			377
Total Cash Receipts	<u>95,742</u>	<u>361,443</u>	<u>0</u>	<u>0</u>	<u>457,185</u>
Cash Disbursements:					
Current:					
General Government	89,666	5,625			95,291
Public Safety		166,660			166,660
Public Works	5,756	221,876			227,632
Health	12,441	5,315			17,756
Debt Service:					
Redemption of Principal		10,606			10,606
Interest and Other Fiscal Charges		2,000			2,000
Total Cash Disbursements	<u>107,863</u>	<u>412,082</u>	<u>0</u>	<u>0</u>	<u>519,945</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(12,121)	(50,639)	0	0	(62,760)
Other Financing Receipts / (Disbursements):					
Advances-In		2,000			2,000
Advances-Out	(2,000)				(2,000)
Total Other Financing Receipts / (Disbursements)	<u>(2,000)</u>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(14,121)	(48,639)	0	0	(62,760)
Fund Cash Balances, January 1	85,404	253,739	2,153	1,500	342,796
Fund Cash Balances, December 31	<u>\$71,283</u>	<u>\$205,100</u>	<u>\$2,153</u>	<u>\$1,500</u>	<u>\$280,036</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, 2011 AND 2010**

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 deposit 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, 2011 AND 2010
(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 Projects 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 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 received 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, 2011 AND 2010
(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 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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:

	<u>2011</u>	<u>2010</u>
Demand deposits	\$586,411	\$277,036
Certificates of deposit	3,000	3,000
Total deposits	<u>\$589,411</u>	<u>\$280,036</u>

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

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010, follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,332	\$500,077	\$348,745
Special Revenue	283,000	333,705	50,705
Permanent	1,500		(1,500)
Total	\$435,832	\$833,782	\$397,950

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$207,938	\$163,652	\$44,286
Special Revenue	316,355	360,755	(44,400)
Permanent	2,153		2,153
Total	\$526,446	\$524,407	\$2,039

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$73,698	\$95,742	\$22,044
Special Revenue	277,800	363,443	85,643
Total	\$351,498	\$459,185	\$107,687

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$165,038	\$109,863	\$55,175
Special Revenue	289,055	412,082	(123,027)
Total	\$454,093	\$521,945	(\$67,852)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority for several funds for the years ended December 31, 2011 and 2010.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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.

5. Debt

Debt outstanding at December 31, 2011, was as follows:

	Principal	Interest Rate
Promissory Note	\$17,887	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:	
2012	\$12,613
2013	6,306
Total	\$18,919

6. Retirement System

The Township's elected 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 2011 and 2010, 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, 2011.

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. 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.

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, 2010, 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**UNION TOWNSHIP
BELMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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>	
<u>2011</u>	<u>2010</u>
\$6,892	\$5,441

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.

8. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. 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.



Dave Yost • 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, 2011 and 2010, and have issued our report thereon dated July 31, 2012, 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 and wherein we also noted, for December 31, 2011, the Township has adopted Governmental Accounting Standards Board Statement No. 54. We also noted 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(A) mandates 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2011-03 described in the accompanying Schedule of Findings to be a material weakness.

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 2011-01 and 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 31, 2012.

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.



Dave Yost
Auditor of State

July 31, 2012

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance Citation

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

We noted the following instances where expenditures exceeded appropriations at December 31, 2011:

Fund	2011 Appropriations	2011 Expenditures	Variance
Gasoline Tax	\$82,500	\$100,917	(\$18,417)
Road and Bridge	108,750	122,312	(13,562)
Cemetery	5,000	6,335	(1,335)
Fire District - A	19,925	24,099	(4,174)
Fire District -D	50,000	54,995	(4,995)
EMS - B	20,300	27,200	(6,900)
EMS - C	11,400	11,761	(361)

We noted the following instances where expenditures exceeded appropriations at December 31, 2010:

Fund	2010 Appropriations	2010 Expenditures	Variance
Gasoline Tax	\$76,500	\$85,951	(\$9,451)
Road and Bridge	86,550	141,656	(55,106)
Cemetery	5,000	5,315	(315)
Fire District - A	19,925	34,576	(14,651)
Fire District - D	48,500	73,589	(25,089)
EMS - B	22,300	25,663	(3,363)
EMS - C	11,800	33,476	(21,676)

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 Township Trustees at the legal level of control 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 Township Fiscal Officer post appropriations to the computer system as approved by the Township Trustees.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-02

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, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-02 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Although the obligations paid by the Township had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of an appropriate fund, and free from any previous encumbrance, this certification of available funds was not obtained prior to incurring the obligation for 45% and 23% of transactions tested for 2011 and 2010, respectively, 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 of 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 the Township Fiscal Officer certify that funds are or will be available prior to obligations 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.

FINDING NUMBER 2011-03

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 properly post budgeted receipts, and any amendments made to them, 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 table details these variances:

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-03 (Continued)

Material Weakness (Continued)

Estimated Receipts – 2011

<u>Fund</u>	<u>Amount per Last Amended Certificate</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
General	\$151,332	\$0	(\$151,332)
Motor Vehicle License Tax	16,000	0	(16,000)
Gasoline Tax	87,000	0	(87,000)
Road and Bridge	80,000	0	(80,000)
Cemetery	5,000	0	(5,000)
Special Levy – Fire District A	18,000	0	(18,000)
Special Levy – Fire District D	48,000	0	(48,000)
Special Levy – EMS - B	20,000	0	(20,000)
Special Levy – EMS - C	9,000	0	(9,000)
Cemetery Bequest	1,500	0	(1,500)

Estimated Receipts – 2010

<u>Fund</u>	<u>Amount per Last Amended Certificate</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
General	\$73,698	\$0	(\$73,698)
Motor Vehicle License Tax	16,000	0	(16,000)
Gasoline Tax	86,000	0	(86,000)
Road and Bridge	75,000	0	(75,000)
Cemetery	5,000	0	(5,000)
Special Levy – Fire District A	18,500	0	(18,500)
Special Levy – Fire District D	47,000	0	(47,000)
Special Levy – EMS - B	20,300	0	(20,300)
Special Levy – EMS – C	10,000	0	(10,000)

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

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

FINDING NUMBER 2011-03 (Continued)

Material Weakness (Continued)

The Fiscal Officer did not always accurately post appropriations to the accounting system. Variances existed between the appropriation resolution and the amounts posted to the accounting system. The following table details these variances:

Appropriations – 2011

<u>Fund</u>	<u>Amount per Last Appropriation Resolution</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
General	\$207,938	\$212,214	\$4,276
Gasoline Tax	82,500	118,156	35,656
Road and Bridge	108,750	126,630	17,880
Cemetery	5,000	8,655	3,655
Special Levy – Fire District A	19,925	24,612	4,687
Special Levy – Fire District D	50,000	55,200	5,200
Special Levy – EMS - B	20,300	27,630	7,330
Special Levy – EMS - C	11,400	11,900	500

Appropriations – 2010

<u>Fund</u>	<u>Amount per Last Appropriation Resolution</u>	<u>Amount Posted to the Accounting System</u>	<u>Variance</u>
General	\$165,038	\$131,948	(\$33,090)
Gasoline Tax	76,500	91,906	15,406
Road and Bridge	86,550	156,458	69,908
Cemetery	5,000	6,175	1,175
Special Levy – Fire District A	19,925	35,072	15,147
Special Levy – Fire District D	48,500	76,600	28,100
Special Levy – EMS - B	22,300	25,719	3,419
Special Levy – EMS - C	11,800	35,100	23,300

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2011-03 (Continued)

Material Weakness (Continued)

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. 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 Fiscal Officer record only estimated receipts per the Official Certificate of Estimated Resources and appropriations approved by the Board of Trustees. The Fiscal Officer should periodically present budget vs. actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenue or appropriations.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**UNION TOWNSHIP
BELMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.10(C), receipts posted to improper funds.	No	Not Corrected: Reissued in management letter.
2009-002	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in several funds.	No	Not Corrected: Reissued as Finding No. 2011-01.
2009-003	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. 2011-02.
2009-004	Significant Deficiency - Receipts/ expenditures were not always posted into accurate receipt/ expenditure classifications based upon source of the receipt/purpose of disbursement.	No	Not Corrected: Reissued in management letter.
2009-005	Significant Deficiency - Auditor of State Bulletins 2000-008 and 2002-04, not recording on-behalf-of grants.	Yes	Finding No Longer Valid.
2009-006	Material Weakness- Not integrating budgeted receipts and appropriations to the accounting system.	No	Not Corrected: Reissued as Finding No. 2011-03.

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Dave Yost • 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
AUGUST 21, 2012