

**UNION TOWNSHIP
LICKING COUNTY**

AUDIT REPORT

JANUARY 1, 2012 - DECEMBER 31, 2013



Dave Yost • Auditor of State

Board of Trustees
Union Township
1380 Beaver Run Road
P.O. Box 1208
Hebron, Ohio 43025

We have reviewed the *Independent Auditors' Report* of Union Township, Licking County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 15, 2014

This page intentionally left blank.

**UNION TOWNSHIP
LICKING COUNTY
JANUARY 1, 2012 - DECEMBER 31, 2013**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2013	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2012	4
Notes to the Financial Statements	5-11
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	12
Schedule of Findings	14-17
Schedule of Prior Audit Findings	18

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Union Township
Licking County
1380 Beaver Run Road
P.O. Box 1208
Hebron, Ohio 43025

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Union Township, Licking County, as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Union Township, Licking County as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Union Township, Licking County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2014, on our consideration of the Union Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 25, 2014

**UNION TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 236,966	\$ 850,806	\$ 1,087,772
Charges for Services	-	-	-
Licenses, Permits and Fees	11,128	-	11,128
Intergovernmental	71,165	198,453	269,618
Earnings on Investments	1,239	413	1,652
Miscellaneous	7,506	32,469	39,975
Total Cash Receipts	<u>328,004</u>	<u>1,082,141</u>	<u>1,410,145</u>
Cash Disbursements:			
Current:			
General Government	153,312	9,517	162,829
Public Safety	107,105	402,762	509,867
Public Works	-	491,607	491,607
Capital Outlay	-	188,584	188,584
Total Cash Disbursements	<u>260,417</u>	<u>1,092,470</u>	<u>1,352,887</u>
Net Change in Fund Cash Balance	67,587	(10,329)	57,258
Fund Cash Balances, January 1	<u>132,052</u>	<u>1,161,500</u>	<u>1,293,552</u>
Fund Cash Balances, December 31			
Restricted	-	1,151,171	1,151,171
Unassigned (Deficit)	199,639	-	199,639
Fund Cash Balances, December 31	<u>\$ 199,639</u>	<u>\$ 1,151,171</u>	<u>\$ 1,350,810</u>

See notes to financial statements.

**UNION TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 354,539	\$ 877,834	\$ 1,232,373
Charges for Services	-	61,768	61,768
Licenses, Permits and Fees	7,568	-	7,568
Intergovernmental	83,876	287,717	371,593
Earnings on Investments	1,347	571	1,918
Miscellaneous	16,164	33,970	50,134
Total Cash Receipts	<u>463,494</u>	<u>1,261,860</u>	<u>1,725,354</u>
Cash Disbursements:			
Current:			
General Government	216,432	32,289	248,721
Public Safety	114,411	741,859	856,270
Public Works	520	307,476	307,996
Capital Outlay	-	16,620	16,620
Total Cash Disbursements	<u>331,363</u>	<u>1,098,244</u>	<u>1,429,607</u>
Net Change in Fund Cash Balance	132,131	163,616	295,747
Fund Cash Balances, January 1	<u>(79)</u>	<u>997,884</u>	<u>997,805</u>
Fund Cash Balances, December 31			
Restricted	-	1,161,500	1,161,500
Unassigned (Deficit)	132,052	-	132,052
Fund Cash Balances, December 31	<u>\$ 132,052</u>	<u>\$ 1,161,500</u>	<u>\$ 1,293,552</u>

See notes to financial statements.

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

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, Licking County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides for maintenance of roads and bridge and fire protection and emergency medical services. The Township contracts with the Village of Hebron and Buckeye Lake, and the Granville Volunteer Fire Department to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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

B. Basis of Accounting

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 and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining, and repairing Township Road and Bridges.

Fire Levy Fund - This fund receives property tax money for providing fire protection.

EMS Levy Fund – This fund receives property tax money for providing emergency medical services.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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 amends 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.

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.

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CASH

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:

	2013	2012
Demand deposits	\$ 1,350,810	\$ 1,293,552

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 425,849	\$ 328,004	\$ (97,845)
Special Revenue	901,323	1,082,141	180,818
Total	\$ 1,327,172	\$ 1,410,145	\$ 82,973

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 467,550	\$ 260,417	\$ 207,133
Special Revenue	1,501,635	1,092,470	409,165
Total	\$ 1,969,185	\$ 1,352,887	\$ 616,298

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 612,132	\$ 463,494	\$ (148,638)
Special Revenue	891,605	1,261,860	370,255
Total	\$ 1,503,737	\$ 1,725,354	\$ 221,617

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 331,363	\$ (331,363)
Special Revenue	-	1,098,244	(1,098,244)
Total	\$ -	\$ 1,429,607	\$ (1,429,607)

Contrary to ORC 5705.39, The EMS Levy Fund had appropriations greater than estimated revenue by \$65,000 in 2012..

Contrary to ORC 5705.41(D), the Township had instances where certification was not made prior to purchase.

Contrary to ORC 5705.38(A), the Township did not adopt a permanent appropriation measure for 2012.

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2013 and 2012, PERS members contributed 10.0% of their wages, respectively. The Township contributed an amount equal to 14.00% of participant's gross salaries for 2013 and 2012, respectively. The Township has paid all contributions required through December 31, 2013.

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Retained Earnings	<u>\$26,467,923</u>	<u>\$25,416,188</u>

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.9 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$5,889.

**UNION TOWNSHIP
LICKING COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

Based on discussion 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>	
2013	\$10,707
2012	10,650

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Union Township
Licking County
1380 Beaver Run Road
Hebron, Ohio 43025

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Union Township, Licking County as of and for the years ended December 31, 2013 and 2012, and have issued our report thereon dated June 25, 2014, 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.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Union Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified a certain deficiencies in internal control over financial reporting, that we consider a material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 2013-04 and 2013-05 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about 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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-01, 2013-02 and 2013-03.

Entity's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 25, 2014

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-01

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) 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.

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.

- If the fiscal officer can certify that both at the time that 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 previous 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 ordinance or resolution "Then and Now" Certificates. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-01 (Continued)

The Township did not certify the availability of funds prior to the purchase commitment for 44% of expenditures tested. For these item the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

Client Response: We agree with finding and have started using blanket certificates, along with “Then and Now” certificates in 2014 that comply with 5705.41(D).

FINDING NUMBER 2013-02

Noncompliance – Appropriations Exceeding Estimated Resources

Ohio Revised Code Section 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenues available for expenditure as certified by the budget commission. In addition, no appropriation measurer is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

			Estimated			
Fund	Year		Resources		Appropriations	Variance
EMS Levy	2012		\$ 537,829		\$ 602,829	\$ (65,000)

We recommend Trustees review estimated resources versus appropriations throughout the year. Also, Trustees should not approve appropriations greater than estimated resources. This could result in the Township spending more money than it receives and could cause possible negative fund balances.

Client Response: We concur with recommendation.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-03

Noncompliance - Permanent Appropriations Not Passed

Ohio Revised Code Section 5705.38(A) requires on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed. Ohio Revised Code 5705.41 (B), states no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township did not adopt a permanent appropriation measure for fiscal year 2012. As a result, all expenditures reported in 2012, exceeded a duly authorized appropriation measure.

We recommend the Township Trustees should adopt a permanent appropriation measure by April 1st each year.

Client Response: We have passed a permanent measure for 2013 and 2014 and will continue to do so going forward.

FINDING NUMBER 2013-04

Material Weakness – Posting of Budget

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 disbursements.

The Township does enter budgetary data for estimated receipts and expenditures. However, the amounts entered do not agree with the Official Certificate of Estimated Resources or approved appropriations. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

Fund	Year	Est. Certificate	UAN System	Variance
MVL Tax Fund	2013	\$ 16,500	\$ 100	\$ (16,400)
Gasoline Tax Fund	2013	88,000	100	(87,900)
Fire Levy Fund	2013	279,282	227,847	(51,435)
EMS Levy Fund	2013	227,847	279,282	51,435
General Fund	2012	612,132	371,585	(240,547)
Road and Bridge Fund	2012	282,564	229,000	(53,564)
Fire Levy Fund	2012	278,432	360,000	81,568
EMS Levy Fund	2012	227,199	24,000	(203,199)

We recommend that the Township post the approved appropriations and official certificate of estimated resources to the UAN system around the first of each year. Then any amendments to those official documents be posted to the system upon approval. This will lead to correct budgetary information and Township decisions can be made on accurate data.

Client Response: We will compare amounts on UAN to proper documents and then adjust so they agree, then post any amendments as needed.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-05

Material Weakness – Financial Statement Presentation

A monitoring system by the Fiscal Officer should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post revenues to the Township's ledgers.

In 2013 and in 2012, all Rollbacks and HB 66 revenues were posted to the General Fund or incorrect amounts to the Road & Bridge Fund, Fire Levy Fund and EMS Levy Fund. These receipts were to be allocated to the General Fund, Road & Bridge Fund, Fire Levy Fund and EMS Levy Fund based upon the real estate settlements from the County Auditor (Rollbacks) and from the Department of Taxation for HB66 which can be found at www.tax.ohio.gov. Upon posting the amounts to the correct funds, it resulted in the following revenue changes: In 2013, the General Fund Revenue was reduced by \$198,231, the Road & Bridge Fund, Fire Levy Fund and EMS Lev Fund had revenue increases of \$70,440, \$58,363 and \$69,428, respectively. In 2012, the General Fund Revenue was reduced by \$337,427, the Road & Bridge Fund, Fire Levy Fund and EMS Lev Fund had revenue increases of \$120,171, \$99,378 and \$117,878, respectively. These statements reflect these adjustments and fund balance changes have been made to the UAN system as of 1/1/14.

Not posting revenues accurately to the ledgers can and will result in inaccurate budget numbers for management to review and may cause adjustments that will need to be made.

We recommend the Fiscal Officer take steps to ensure the accurate postings of receipts into the Township's system with procedures and guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording revenue transactions, the Trustees will have more accurate financial data to assist them in making financial decisions during the year.

Client Response: We will review settlement sheets and the website to enable the accurate posting to these receipts.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2011-01	Timely Deposits, Posting Board Monitoring	Yes	Finding No Longer Valid
2011-02	ORC 5705.41(D) Prior Certification	No	Not Corrected: Stated as Finding Number 2013-01 in current report
2011-03	ORC 5705.34 Tax Levies	Yes	Finding No Longer Valid
2011-04	ORC 5705.38(A) ORC 5705.41(B)	No	Not Corrected: Stated as Finding Number 2013-03 in current report
2011-05	ORC 5705.36(A)(1) Certification of Funds	Yes	Finding No Longer Valid
2011-06	Withholdings 26 U.S.C. 3402.(a) (1)	Yes	Finding No Longer Valid
2011-07	EMS Fund financial activity	Yes	Finding No Longer Valid
2011-08	Budgetary Amounts in Accounting System	No	Not Corrected: Stated as Finding Number 2013-04 in current report
2011-09	Bank Reconciliations	Yes	Finding No Longer Valid
2011-10	Financial Statement Presentation	No	Not Corrected: Stated as Finding Number 2013-05 in current report

This page intentionally left blank.



Dave Yost • Auditor of State

UNION TOWNSHIP

LICKING 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 29, 2014**