



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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**REPORT OF INDEPENDENT ACCOUNTANTS**

Union Township  
Butler County  
9113 Cincinnati-Dayton Rd.  
West Chester, Ohio 45069

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2000, 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 grants.

This report is intended solely for the information and use of the audit committee, management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

May 8, 2000

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**UNION TOWNSHIP  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES -  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$1,010,388	\$9,750,519	\$404,145		\$11,165,052
Intergovernmental	1,827,739	1,085,777	0		2,913,516
Special Assessments	0	180,520	0		180,520
Licenses, Permits, and Fees	134,435	38,963	0		173,398
Fines, Forfeitures, and Penalties	68,615	189,152	0		257,767
Earnings on Investments	418,933	113,645	95,507	\$256	628,341
Other Revenue	373,600	185,751	0		559,351
<b>Total Cash Receipts</b>	<b>3,833,710</b>	<b>11,544,327</b>	<b>499,652</b>	<b>256</b>	<b>15,877,945</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	2,668,154	0	0		2,668,154
Public Safety	0	8,688,577	0		8,688,577
Public Works	69,083	1,389,968	0		1,459,051
Health	140,348	81,801	0		222,149
Conservation - Recreation	389,578	0	0		389,578
Miscellaneous	0	280,297	324,997	70	605,364
Debt Service:					
Redemption of Principal			155,000		155,000
Interest and Fiscal Charges			188,680		188,680
Capital Outlay	597,033	4,032,166			4,629,199
<b>Total Cash Disbursements</b>	<b>3,864,196</b>	<b>14,472,809</b>	<b>668,677</b>	<b>70</b>	<b>19,005,752</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(30,486)</b>	<b>(2,928,482)</b>	<b>(169,025)</b>	<b>186</b>	<b>(3,127,807)</b>
<b>Other Financing Receipts/(Disbursements):</b>					
Proceeds from Sale of Notes			6,722,117		6,722,117
Other Sources	230	36,400			36,630
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>230</b>	<b>36,400</b>	<b>6,722,117</b>	<b>0</b>	<b>6,758,747</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(30,256)	(2,892,082)	6,553,092	186	3,630,940
Fund Cash Balances, January 1	2,410,988	6,869,350	191,468	12,091	9,483,897
<b>Fund Cash Balances, December 31</b>	<b>\$2,380,732</b>	<b>\$3,977,268</b>	<b>\$6,744,560</b>	<b>\$12,277</b>	<b>\$13,114,837</b>
Reserve for Encumbrances, December 31	\$291,238	\$542,618	\$0	\$0	\$833,856

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

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**UNION TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Union Township, Butler County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, street maintenance, park operations (leisure time activities), and police and fire protection.

The Community Improvement Corporation (CIC) is a legally separated, non-profit organization. The Board is comprised of two Township Trustees and the remaining seats are appointed by the Trustees. The CIC was established to serve as an agent for economic development for the Township and currently receives the majority of its funding from the Township. The financial activity and resources of the CIC are not presented in the accompanying financial statements. Financial information (revenues, expenses, equity) can be obtained from the CIC.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash 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.

**C. Cash and Investments**

Certificates of deposit, and U.S. Treasury Notes are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. Mutual funds are recorded at share values reported by the mutual fund.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded 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:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**UNION TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

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

*Police District Fund* - This fund receives taxes and intergovernmental revenues for the operation of the Township Police Department.

*Fire District Fund* - This fund receives taxes and intergovernmental revenues for the operation of the Township Fire Department.

**3. Debt Service Funds**

The Debt Service Fund is used to accumulate resources for the payment of bonds and note indebtedness (the Township had no bond indebtedness in 1999). The Township had the following significant Debt Service Funds:

*Tax Increment Financing Fund* - This fund is used to make payments on note debt issued to finance road construction improvements within the Township.

*Parks Note Fund* - This fund is used to account for money borrowed for the acquisition of land for Township parks.

*Road Note Fund* - This fund is used to account for money borrowed to finance road construction improvements within the Township.

**4. Fiduciary Funds (Trust Fund)**

This fund is used to account for resources restricted by a legally binding trust agreement. The Township had the following significant Fiduciary Fund:

*Ayers-Pocok Bequest Fund* - This nonexpendable trust fund is used to account for the maintenance of cemetery plots.

**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. Unencumbered appropriations lapse at year end.

**2. 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.

**UNION TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 carried over, and need not be re-appropriated. The Township did not encumber certain commitments required by Ohio law; however, material encumbrances at December 31 are presented in the financial statements.

A summary of 1999 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<b>1999</b>
Demand deposits	\$3,009,163
Certificates of deposit	<u>1,600,000</u>
Total deposits	<u>4,609,163</u>
Money Market	52,147
Bonds	1,657,168
U.S. Treasury Notes	10,000
STAROhio	<u>6,786,359</u>
Total investments	<u>8,505,674</u>
Total deposits and investments	<u><u>\$13,114,837</u></u>

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

**Investments:** U.S. Treasury Notes are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities. Investments in STAROhio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**UNION TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 1999, follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,723,401	\$3,833,940	\$110,539
Special Revenue	11,546,599	11,580,727	34,128
Debt Service	7,031,353	7,221,769	190,416
Fiduciary	612	256	(356)
Total	<u>\$22,301,965</u>	<u>\$22,636,692</u>	<u>\$334,727</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,134,384	\$4,155,434	\$1,978,950
Special Revenue	18,415,949	15,015,427	3,400,522
Debt Service	7,222,821	688,677	6,554,144
Fiduciary	12,703	70	12,633
Total	<u>\$31,785,857</u>	<u>\$19,839,608</u>	<u>\$11,946,249</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**UNION TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Township Park Land Acquisition Note	\$2,850,000	3.77%
Township Road Improvement Note	3,870,000	4.01%
Tax Increment Revenue Notes	<u>4,200,000</u>	4.35%
Total	<u><u>\$1,092,000</u></u>	

The Township Park Land Acquisition Note was issued May 26, 1999, to finance the cost of purchasing land and establishing a township park, under authority of the general laws of the State of Ohio, particularly Section 505.261 of the Ohio Revised Code. The note is due on May 26, 2000, with interest on the outstanding balance, at a rate of three and seventy-seven hundredths per cent (3.77%) per annum, payable at maturity.

The Township Road Improvement Note, dated June 24, 1999 and maturing June 23, 2000, was issued to finance the costs of making improvements to the Township Road System, including land acquisition, construction, planning and legal costs.

The Tax Incremental Revenue Note relates to the construction of the Union-Centre Boulevard Roadway. The Township will receive payments in lieu of taxes from property owners to retire the note. The note is being repaid in annual installment (including interest), over 20 years.

Amortization of the Tax Incremental Revenue Note, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Tax Incremental Revenue Notes</u>
2000	\$342,700
2001	340,740
2002	343,562
2003	340,950
2004	343,120
Subsequent	<u>4,427,941</u>
Total	<u><u>\$6,139,013</u></u>

**6. RETIREMENT SYSTEMS**

The Township's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**UNION TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999  
(Continued)**

**6. RETIREMENT SYSTEMS (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, members of PFDPF contributed 10% of their wages to the PFDPF. The Township contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**7. RISK MANAGEMENT**

The Township is a member of the Ohio Government Risk Management Group. The Ohio Government Risk Management Group assumes the risk of loss up to the limits of the Township's policy. The following risks are covered by the policy:

- General liability and casualty
- Public official's liability
- Vehicle

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**8. CONTINGENT LIABILITIES**

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



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Union Township  
Butler County  
9113 Cincinnati-Dayton Rd.  
West Chester, Ohio 45069

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 1999, and have issued our report thereon dated May 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 1999-040409-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Union Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-40409-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, would not necessarily disclose all reportable conditions considered to be material weaknesses. We believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 8, 1999.

Union Township  
Butler County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

May 8, 2000



**UNION TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-40409-001**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Goods and services were obtained prior to obtaining the certificate of the fiscal officer in 33% of audited transactions, and did not qualify as an exception to the certification requirement listed above.

**FINDING NUMBER 1999-40409-002**

**Reportable Condition**

The Township did not utilize proper encumbrance procedures in 33% of the transactions audited. The purchasing process should be initiated with a complete and signed purchase order prior to the ordering of goods and services. The department supervisors or other authorized personnel should complete and submit to the Clerk the required purchase requisition. The Clerk should then review the purchase requisition and prepare a purchase order, certifying that the funds are available to purchase the goods and/or services, and that the purchase is valid and for a proper public purpose as prescribed in Ohio Admin. Code, Section 117-3. The Township should institute this process to assure that all expenditures are authorized and valid.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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**UNION TOWNSHIP**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 20, 2000**