



**Auditor of State  
Betty Montgomery**



**UNION TOWNSHIP  
CLERMONT COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Union Township  
Clermont County  
4312 Glen Este-Withamsville Road  
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. 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 *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, 2002 and 2001, 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 June 5, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under Section 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 5, 2003

**UNION TOWNSHIP  
CLERMONT COUNTY**

**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, 2002**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>						
Local Taxes	\$717,077	\$7,963,246		\$0	\$0	\$8,680,323
Intergovernmental	747,344	1,188,974				1,936,318
Special Assessments		22,456				22,456
Sale of Lots		59,850				59,850
Licenses, Permits, and Fees	482,013	199,583				681,596
Fines, Forfeitures, and Penalties	63,525					63,525
Earnings on Investments	183,825	28,275	34,533		21	246,654
Other Revenue	447,281	197,918				645,199
<b>Total Cash Receipts</b>	<b>2,641,065</b>	<b>9,660,302</b>	<b>34,533</b>	<b>0</b>	<b>21</b>	<b>12,335,921</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	1,976,057					1,976,057
Public Safety		8,158,336				8,158,336
Public Works		1,606,484				1,606,484
Health	330,650	177,877				508,527
Conservation - Recreation	28,800					28,800
Debt Service:						
Redemption of Principal		173,060				173,060
Interest and Fiscal Charges		53,232				53,232
Capital Outlay	244,916	367,857		163,083		775,856
<b>Total Cash Disbursements</b>	<b>2,580,423</b>	<b>10,536,846</b>	<b>0</b>	<b>163,083</b>	<b>0</b>	<b>13,280,352</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>60,642</b>	<b>(876,544)</b>	<b>34,533</b>	<b>(163,083)</b>	<b>21</b>	<b>(944,431)</b>
<b>Other Financing Receipts:</b>						
Proceeds from Sale of Bonds				8,315,083		8,315,083
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,315,083</b>	<b>0</b>	<b>8,315,083</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<b>60,642</b>	<b>(876,544)</b>	<b>34,533</b>	<b>8,152,000</b>	<b>21</b>	<b>7,370,652</b>
<b>Fund Cash Balances, January 1</b>	<b>4,547,797</b>	<b>7,383,897</b>			<b>22,154</b>	<b>11,953,848</b>
<b>Fund Cash Balances, December 31</b>	<b>\$4,608,439</b>	<b>\$6,507,353</b>	<b>\$34,533</b>	<b>\$8,152,000</b>	<b>\$22,175</b>	<b>\$19,324,500</b>
Reserve for Encumbrances, December 31	\$31,262	\$54,204	\$0	\$0	\$0	\$85,466

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

**UNION TOWNSHIP  
CLERMONT COUNTY**

**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, 2001**

	<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	\$710,340	\$8,225,342	\$0	\$0	\$8,935,682
Intergovernmental	861,133	842,379			1,703,512
Special Assessments		10,836			10,836
Sale of Lots		80,225			80,225
Licenses, Permits, and Fees	273,865	230,410			504,275
Fines, Forfeitures, and Penalties	80,514	55,066			135,580
Earnings on Investments	429,180	98,943		153	528,276
Other Revenue	44,940	418,406			463,346
<b>Total Cash Receipts</b>	<u>2,399,972</u>	<u>9,961,607</u>	<u>0</u>	<u>153</u>	<u>12,361,732</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	1,246,405	127,604			1,374,009
Public Safety		7,373,052			7,373,052
Public Works		1,601,265			1,601,265
Health	261,390	219,665			481,055
Conservation - Recreation	27,560				27,560
Debt Service:					
Redemption of Principal		173,060	215		173,275
Interest and Fiscal Charges		62,454			62,454
Capital Outlay	213,858	281,545			495,403
<b>Total Cash Disbursements</b>	<u>1,749,213</u>	<u>9,838,645</u>	<u>215</u>	<u>0</u>	<u>11,588,073</u>
Total Receipts Over/(Under) Disbursements	650,759	122,962	(215)	153	773,659
Fund Cash Balances, January 1	3,897,038	7,260,935	215	22,001	11,180,189
<b>Fund Cash Balances, December 31</b>	<u><b>\$4,547,797</b></u>	<u><b>\$7,383,897</b></u>	<u><b>\$0</b></u>	<u><b>\$22,154</b></u>	<u><b>\$11,953,848</b></u>
Reserve for Encumbrances, December 31	<u>\$27,421</u>	<u>\$71,979</u>	<u>\$0</u>	<u>\$0</u>	<u>\$99,400</u>

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



**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Union Township, Clermont 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 road and bridge maintenance, cemetery maintenance, fire and police protection and emergency medical services.

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 Deposits**

Certificates of deposit are valued at cost.

**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.

**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 Fund

This fund receives taxes and intergovernmental revenues for the operation of the Township Police Department.

Fire Fund

This fund receives taxes and intergovernmental revenues for the operation of the Township Fire Department.

**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**3. Debt Service Fund**

The Debt Service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following Debt Service Fund:

General Bond Retirement Fund

This fund is used to repay the bond for the Township Civic Center.

**4. Capital Project Fund**

The Capital Project fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following Capital Project Fund:

Bond Fund

This fund received money from the sale of a bond to construct a new Township Civic Center.

**5. Fiduciary Fund (Nonexpendable Trust Fund)**

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

Nonexpendable Cemetery Trust Fund

The fund accounts for the corpus of the Township's various nonexpendable cemetery trust funds.

**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 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  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(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 reappropriated. The Township did not encumber all commitments required by Ohio law. However, there were no material unrecorded outstanding encumbrances at December 31, 2002 and 2001.

A summary of 2002 and 2001 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. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid vacation leave is not reflected as a liability under the Township's basis of accounting.

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

The Township maintains a cash and deposits 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:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$9,524,500	\$1,653,848
Certificates of deposit	9,800,000	10,300,000
Total deposits	<u>\$19,324,500</u>	<u>\$11,953,848</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,410,000	\$2,641,065	\$231,065
Special Revenue	9,663,000	9,660,302	(2,698)
Debt Service	0	34,533	34,533
Capital Projects	8,315,083	8,315,083	0
Fiduciary Funds	160	21	(139)
Total	\$20,388,243	\$20,651,004	\$262,761

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,956,024	\$2,611,685	\$4,344,339
Special Revenue	17,046,885	10,591,050	6,455,835
Debt Service	0	0	0
Capital Projects	0	163,083	(163,083)
Fiduciary Funds	22,314	0	22,314
Total	\$24,025,223	\$13,365,818	\$10,659,405

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,999,000	\$2,399,972	\$400,972
Special Revenue	9,173,797	9,961,607	787,810
Debt Service	0	0	0
Fiduciary Funds	22,141	153	(21,988)
Total	\$11,194,938	\$12,361,732	\$1,166,794

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,882,056	\$1,776,634	\$4,105,422
Special Revenue	16,434,736	9,910,624	6,524,112
Debt Service	215	215	0
Fiduciary Funds	22,141	0	22,141
Total	\$22,339,148	\$11,687,473	\$10,651,675

Contrary to Ohio law, budgetary expenditures exceeded appropriations in the Bond Fund for fiscal year end 2002.

**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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 payment, 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Equipment Note (1996)	\$177,000	5.45%
Fire Equipment Note (1997)	123,593	5.18%
Fire Equipment Note (2000)	498,972	5.64%
Civic Center Bond (2002)	<u>8,345,000</u>	4.36%
	<u>\$9,144,565</u>	

The General Obligation Fire Equipment Note (1996) relates to fire equipment purchased by the Township. The notes were issued in December 1996 in the amount of \$531,000. The notes will be repaid in annual installments of \$59,000, including interest, over 9 years, collateralized solely by the Township's taxing authority.

The General Obligation Fire Equipment Note (1997) relates to fire equipment purchased by the Township. The notes were issued in June 1997 in the amount of \$278,085. The notes will be repaid in annual installments of \$30,898, including interest, over 9 years, collateralized solely by the Township's taxing authority.

The General Obligation Fire Equipment Note (2000) relates to fire equipment purchased by the Township. The notes were issued in March 2000 in the amount of \$748,458. The notes will be repaid in annual installments of \$83,162, including interest, over 9 years, collateralized solely by the Township's taxing authority.

The General Obligation Civic Center Bonds (2002) relates to the Township's planned building of a new Civic Center building. The bonds were issued in December 2002 in the amount of \$8,345,000, which includes the premium and cost of issuance. The bonds will be repaid over 20 years, collateralized solely by the Township's taxing authority.

**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

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

	Fire Equipment Note (1996)	Fire Equipment Note (1997)	Fire Equipment Note (2000)	Civic Center Bond (2002)
Year ending December 31:				
2003	\$68,647	36,737	111,304	645,720
2004	65,431	35,090	106,614	651,040
2005	62,216	33,494	101,923	653,680
2006		31,740	97,233	655,600
2007			92,543	651,680
2008 – 2012			87,852	3,264,800
2013 – 2017				3,270,960
2018 – 2022				3,264,880
Total	<u>\$196,294</u>	<u>\$137,061</u>	<u>\$597,469</u>	<u>\$13,058,360</u>

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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. 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 that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**UNION TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RISK MANAGEMENT**

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>





**Auditor of State  
Betty Montgomery**

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

Union Township  
Clermont County  
4312 Glen Este-Withamsville Road  
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 5, 2003. 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 *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 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 5, 2003.

**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 judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001 and 2002-002.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. 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 June 5, 2003.

This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 5, 2003

**UNION TOWNSHIP  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2002-001**

**MATERIAL NONCOMPLIANCE/REPORTABLE CONDITION**

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures plus encumbrances exceeded appropriations at fiscal year end in the following funds:

<b>Year</b>	<b>Fund</b>	<b>Appropriations</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
2002	Bond Fund	\$ -	\$ 163,083	\$ (163,083)

The ability to pay bills and control cash flow could be effected by not monitoring the expenditures with appropriations. We recommend the Board of Trustees periodically review the budgetary actions of the Township and make amendments as needed to avoid expenditures exceeding appropriations. The Clerk-Treasurer should deny payment requests exceeding appropriations. The Treasurer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2002-002**

**MATERIAL NONCOMPLIANCE/REPORTABLE CONDITION**

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:

- A. 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 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.
- B. If the amount involved is less than \$1,000 dollars, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board, if such expenditure is otherwise valid.

**FINDING NUMBER 2002-002**  
**(Continued)**

Ten percent (10%) of expenditures tested were not certified as to the availability of funds at the time the commitment was made. The Township utilizes purchase orders only for disbursements greater than \$1,000 per department. Furthermore, these purchase orders were not entered into the system to track the total amount encumbered.

Failure to execute and approve purchase orders for all expenditures could result in improper or unnecessary expenditures. Failure to record and monitor encumbrances could result in the Township's incurring liabilities in excess of available cash.

We recommend the Township properly utilize the encumbrance method of accounting by certifying the availability of funds. The Township should obtain approved purchase orders, which contain the Clerk-Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. We further recommend the Township record encumbrances in the system as they are incurred to ensure there are adequate resources to cover the expenses when they become due.



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**UNION TOWNSHIP**

**CLERMONT 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 5, 2003**