

***UNION TOWNSHIP
LICKING COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Union Township
P.O. Box 1208
Hebron, Ohio 43025

We have reviewed the *Report of Independent Accountants* of Union Township, Licking County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2007

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**UNION TOWNSHIP
LICKING COUNTY
For the Years Ending December 31, 2006 and 2005**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Union Township
Licking County
9541 Swamp Road
Hebron, Ohio 43025

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Licking County, Ohio as and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Union Township, Licking County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

October 18, 2007

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, 2006

	Governmental Funds		Totals (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property Taxes and Other Local Taxes	\$ 277,527	\$ 840,794	\$ 1,118,321
Intergovernmental	57,390	141,238	198,628
Licenses, Permits and Fees	6,734	-	6,734
Interest	27,401	3,044	30,445
Miscellaneous	3,995	-	3,995
Total Receipts	<u>373,047</u>	<u>985,076</u>	<u>1,358,123</u>
Disbursements:			
General Government	252,244	-	252,244
Public Safety	112,445	518,897	631,342
Public Health Services	24,772	-	24,772
Public Works	-	343,143	343,143
Capital Outlay	2,720	22,179	24,899
Total Disbursements	<u>392,181</u>	<u>884,219</u>	<u>1,276,400</u>
Total Receipts Over(Under) Disbursements	(19,134)	100,857	81,723
Fund Balance 1/1/2006	<u>473,768</u>	<u>1,023,657</u>	<u>1,497,425</u>
Fund Balance 12/31/2006	<u>\$ 454,634</u>	<u>\$ 1,124,514</u>	<u>\$ 1,579,148</u>
Reserve for Encumbrances, 12/31/2006	<u>\$ 3,370</u>	<u>\$ 1,829</u>	<u>\$ 5,199</u>

See accompanying Notes to the 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, 2005

	Governmental Funds		Totals (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property Taxes and Other Local Taxes	\$ 235,263	\$ 649,606	\$ 884,869
Intergovernmental	118,910	270,437	389,347
Licenses, Permits and Fees	19,476	-	19,476
Fines and Forfeitures	201	-	201
Interest	14,926	1,659	16,585
Miscellaneous	11,180	-	11,180
Total Receipts	<u>399,956</u>	<u>921,702</u>	<u>1,321,658</u>
Disbursements:			
General Government	244,619	-	244,619
Public Safety	119,640	514,690	634,330
Public Health Services	13,064	-	13,064
Public Works	47,156	338,070	385,226
Capital Outlay	6,100	73,015	79,115
Total Disbursements	<u>430,579</u>	<u>925,775</u>	<u>1,356,354</u>
Total Receipts Over(Under) Disbursements	(30,623)	(4,073)	(34,696)
Other Financing Sources/(Uses)			
Transfers In	4,814	35,820	40,634
Transfers Out	-	(40,634)	(40,634)
Sale of Fixed Assets	5,005	-	5,005
Total Other Financing Sources/(Uses)	<u>9,819</u>	<u>(4,814)</u>	<u>5,005</u>
Excess Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(20,804)	(8,887)	(29,691)
Fund Balance 1/1/2005	<u>494,572</u>	<u>1,032,544</u>	<u>1,527,116</u>
Fund Balance 12/31/2005	<u>\$ 473,768</u>	<u>\$ 1,023,657</u>	<u>\$ 1,497,425</u>
Reserve for Encumbrances, 12/31/2005	<u>\$ 1,083</u>	<u>\$ -</u>	<u>\$ 1,083</u>

See accompanying Notes to the Financial Statements.

UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Union Township, Licking County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by three publicly-elected Trustees. The Township provides general governmental services, road and bridge maintenance, and fire protection services. The Township contracts with the Villages of Hebron, Buckeye Lake, and the Granville Volunteer Fire Department to provide fire protection and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis 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.)

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

C. CASH

The Township maintains an interest bearing checking account.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Road And Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- Fire Levy Fund – This fund receives taxes levied to provide fire protection and emergency medical services to the Township.
- Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax fees used for the maintenance and repair of Township roads and bridges.
- Gasoline Tax Fund – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.
- Federal Funds – This fund receives FEMA funds for repairing Township roads.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Clerk by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

**UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

On or about January 1, the Clerk sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2005 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year without being re-appropriated.

F. PROPERTY, PLANT AND EQUIPMENT

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

**UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Township maintains a cash and investment 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>2005</u>	<u>2006</u>
Demand deposits	\$ 1,497,425	\$ 1,579,148

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

3. PROPERTY TAXES

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on 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
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

3. PROPERTY TAXES – (Continued)

The Licking County Treasurer collects property tax on behalf of all taxing Townships within the county. The Licking County Auditor periodically remits to the taxing Township their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 433,500	\$ 373,047	\$ (60,453)
Special Revenue Funds	998,100	985,076	(13,024)

<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 721,850	\$ 395,551	\$ 326,299
Special Revenue Funds	1,764,000	886,048	878,352

<u>2005 Budgeted vs Actual Receipts</u>			
<u>Fund</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 285,665	\$409,775	\$ 124,110
Special Revenue	835,192	957,522	122,330

<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ -0-	\$ 431,662	\$ (431,662)
Special Revenue	-0-	966,409	(966,409)

5. RETIREMENT SYSTEM

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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.

**UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

5. RETIREMENT SYSTEM – (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. During 2006 and 2005, OPERS participants contributed 9.0% and 8.5%, respectively of their wages. During 2006 and 2005, the Township contributed an amount equal to 13.70% and 13.55%, respectively of their wages. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

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 townships 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 occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 for claims that occurred prior to January 1, 2006 and \$3,000,000 to \$13,000,000 for claims that occurring after January 1, 2006 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to an annual aggregate limit of \$10,000,000.

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 & 2005 was \$1,901,127 and \$1,712,113, respectively.

**UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

6. RISK MANAGEMENT (Continued)

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2006 and 2005:

<u>Casualty Coverage</u>	2006	2005
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	2006	2005
Assets	\$10,010,963	\$ 9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

The casualty coverage assets and retained earnings above include approximately \$12.1 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

7. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**UNION TOWNSHIP
LICKING COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005**

8. TRANSFERS

Interfund transfers for the year ended December 31, 2005, consisted of the following:

<u>Fund</u>	Transfers <u>Out</u>	Transfers <u>In</u>
General	\$ -	\$ 4,814
Gasoline Tax	-	3,641
Road and Bridge	-	32,115
Motor Vehicle License	-	64
Federal Funds	<u>40,634</u>	<u>-</u>
Total	<u>\$40,634</u>	<u>\$ 40,634</u>

In the year ended December 31, 2005, the Township made a transfer of \$40,634 from the federal fund (FEMA) to the general, gasoline tax, road and bridge, and motor vehicle license funds to reimburse those funds for expenditures made for FEMA approved repairs.

9. BUDGETARY NONCOMPLIANCE

The Township had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Village did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Village had expenditures that exceeded appropriations.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Union Township
Licking County
9541 Swamp Road
Hebron, Ohio 43025

To the Board of Trustees:

We have audited the financial statements of Union Township, Licking County (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated October 18, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying Schedule of Findings, items 2006-UTLC-01 through 2006-UTLC-03 and 2006-UTLC-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

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, grants agreements and other matters, 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 several instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-UTLC-01 through 2006-UTLC-05.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Township in a separate letter dated October 18, 2007.

This report is intended solely for the information and use of management and the Township Board. It is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

October 18, 2007

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-UTLC-01
Noncompliance Citation and Material Weakness**

Timely Deposit of Receipts

Ohio Rev. Code Section 9.38 requires that “A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.”

During our audit we noted several receipts that were posted to the revenue ledger and cash journal but not deposited to the bank account in a timely fashion. The Township failed to deposit several checks from the Ohio Auditor of State, a check from the Public Entities Risk Pool of Ohio, Inc., and several zoning permit fees that were received during the months of October, November and December 2006. Although the cash receipts were recorded into the Township’s revenue ledger and cash journal, the Clerk attempted to deposit these checks in the month of May 2007. The failure to deposit these receipts timely does not allow for these items to be included in cash as deposits in transit. The failure to deposit these receipts also led to the preparation of incorrect financial statements for the year-end December 31, 2006. The checks were not deposited in the time allotted by the Ohio Auditor of State and were not honored by the paying bank. The statements for the year-ended December 31, 2006 have been adjusted to account for the undeposited receipts. The Township agrees with the adjustment.

The Clerk should collect and deposit all Township receipts in a timely fashion, reconcile bank accounts to the Township books monthly and record all financial transactions timely. The Clerk should also present the stale checks to the Ohio Department of Taxation so they can be reissued to the Township.

The Clerk has agreed to record and deposit all receipts in a timely fashion and has adjusted the Township records accordingly.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-UTLC-02
Noncompliance Citation and Material Weakness**

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2005 through December 31, 2006, the Township did not resolve various differences between the adjusted bank balance and the balance reflected within the Township's accounting records. The annual report for these fiscal years were filed with the Auditor of State with unresolved differences.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Township Board should sign and date the bank reconciliations to indicate that they have been reviewed.

Management agrees and will perform monthly bank reconciliations and have them approved accordingly.

**FINDING NUMBER 2006-UTLC-03
Noncompliance Citation and Material Weakness**

Review of Monthly Reports and Evidence of Review

There was no evidence of the Board's review and acceptance of the following reports:

- The Clerk's monthly bank reconciliation and monthly fund balance summary
- Monthly budget versus actual receipts and disbursements

To improve monitoring controls over the Township's financial activity, the Board should document receipt and review of these reports within the minutes. Also, a designated Trustee should sign or initial and date these reports as evidence of review.

Management will implement this recommendation.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS– (Continued)
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-UTLC-04
Noncompliance**

Certification of Availability of Funds

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

“Then and Now” Certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution 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 expenditure by the Township.

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicible operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS– (Continued)
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-UTLC-04
(Continued)**

Twenty percent, 12 of 60 of transactions tested for 2006 and 2005 did not include prior certification of the availability of funds by the Clerk nor was there any evidence of a “Then and Now” certificate being used by Clerk. Failure to properly certify the availability of funds can result in overspending funds and negative cash balances.

We recommend the Township’s management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

The Clerk will review budgetary requirements, including purchasing and make improvements as necessary.

**FINDING NUMBER 2006-UTLC-05
Noncompliance and Material Weakness**

Expenditures and Encumbrances Exceed Appropriations

Section 5705.41 (D), Revised Code, requires that encumbrances be charged against proper appropriations. **Section 5705.41 (B), Revised Code**, prohibits the Township from making expenditure unless it has been properly appropriated. The Board did not approve an appropriation resolution for 2005. All funds were found to have expenditures and encumbrances in excess of appropriations at December 31, 2005.

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ -0-	\$ 431,662	\$ (431,662)
Special Revenue Funds:			
Gasoline Tax Fund	-0-	58,272	(58,272)
Motor Vehicle License Tax Fund	-0-	16,363	(16,363)
Road & Bridge Fund	-0-	336,450	(336,450)
Fire (Special Levy) Fund	-0-	514,690	(514,690)
Federal Funds	-0-	40,634	(40,634)

The Board should monitor appropriations to ensure that all budgetary requirements are being followed.

The Clerk will monitor all budgetary requirements to ensure compliance with applicable rules and laws.

**UNION TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-UTLC-001	Contrary to Ohio Rev. Code § 5705.39 , Township had appropriations in excess of estimated resources.	Yes	Corrected



Mary Taylor, CPA
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
DECEMBER 4, 2007**