

Union Township
Brown County, Ohio

Regular Audit

For the Years Ended December 31, 2010 and 2009
Fiscal Years Audited Under GAGAS: 2010 and 2009



Balestra, Harr & Scherer, CPAs, Inc.

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Dave Yost • Auditor of State

Board of Trustees
Union Township
5410 Schwallie Road
Ripley, Ohio 45167

We have reviewed the *Independent Auditor's Report* of Union Township, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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.

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

Dave Yost
Auditor of State

May 13, 2011

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Brown County, Ohio
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Independent Auditor's Report

Union Township
Brown County
5410 Schwallie Road
Ripley, Ohio 45167

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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 our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

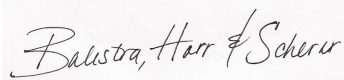
Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Union Township, Brown County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Union Township
Brown County
Independent Auditors' Report
Page 2

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 April 28, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

As described in Note 7 to the financial statements, the Township revised its accounting basis from cash basis accounting to the regulatory basis the Auditor of State prescribes or permits.



Balestra, Harr & Scherer, CPAs, Inc.

April 28, 2011

**UNION TOWNSHIP
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Taxes	\$ 30,705	\$ 57,079	\$ -	\$ 87,784
Intergovernmental	100,136	88,089	49,340	237,565
Earnings on Investments	489	551	-	1,040
Miscellaneous	45	-	-	45
	<u>131,375</u>	<u>145,719</u>	<u>49,340</u>	<u>326,434</u>
Total Cash Receipts				
	<u>131,375</u>	<u>145,719</u>	<u>49,340</u>	<u>326,434</u>
Cash Disbursements:				
Current:				
General Government	23,861	27,838	-	51,699
Public Safety	14,000	33,044	-	47,044
Public Works	84,000	83,766	-	167,766
Health	16,912	-	-	16,912
Capital Outlay	-	-	49,340	49,340
	<u>138,773</u>	<u>144,648</u>	<u>49,340</u>	<u>332,761</u>
Total Cash Disbursements				
	<u>138,773</u>	<u>144,648</u>	<u>49,340</u>	<u>332,761</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(7,398)	1,071	-	(6,327)
Fund Cash Balances, January 1	<u>95,049</u>	<u>103,492</u>	<u>-</u>	<u>198,541</u>
Fund Cash Balances, December 31	<u>\$ 87,651</u>	<u>\$ 104,563</u>	<u>\$ -</u>	<u>\$ 192,214</u>

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

**UNION TOWNSHIP
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 29,021	\$ 55,652	\$ 84,673
Intergovernmental	24,290	93,126	117,416
Earnings on Investments	893	1,249	2,142
Miscellaneous	800	-	800
	<u>55,004</u>	<u>150,027</u>	<u>205,031</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	28,375	28,562	56,937
Public Safety	15,352	30,457	45,809
Public Works	-	46,240	46,240
Health	9,540	-	9,540
Capital Outlay	-	18,850	18,850
	<u>53,267</u>	<u>124,109</u>	<u>177,376</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	1,737	25,918	27,655
Fund Cash Balances, January 1	<u>93,312</u>	<u>77,574</u>	<u>170,886</u>
Fund Cash Balances, December 31	<u><u>\$ 95,049</u></u>	<u><u>\$ 103,492</u></u>	<u><u>\$ 198,541</u></u>

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

Union Township
Brown County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Union Township, Brown County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, Township road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

The Township deposits all available funds in an interest earning checking account, and certificates of deposit at local commercial banks.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Fund – This fund receives motor vehicle license tax money to construct, maintain, and repair Township roads.

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

Fire District Fund – This fund receives outside mileage from a levy to provide funds to pay for fire protection for Union Township.

Union Township
Brown County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

OPWC Issue II Fund – This fund recorded the project receipts and expenditures of an Ohio Public Works Commission grant for restructuring of Hartman Road.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2010 and 2009 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2010	2009
Demand deposits	\$ 118,377	\$ 125,376
Certificates of deposit	\$ 73,837	\$ 73,165
Total Deposits	\$ 192,214	\$ 198,541

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

Union Township
Brown County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 130,507	\$ 131,375	\$ 868
Special Revenue	194,579	145,719	(48,860)
Capital Projects	49,340	49,340	0
Total	<u>\$ 374,426</u>	<u>\$ 326,434</u>	<u>\$ (47,992)</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 193,750	\$ 138,773	\$ 54,977
Special Revenue	177,787	144,648	33,139
Capital Projects	49,340	49,340	-
Total	<u>\$ 420,877</u>	<u>\$ 332,761</u>	<u>\$ 88,116</u>

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,873	\$ 55,004	\$ 4,131
Special Revenue	117,475	150,027	32,552
Total	<u>\$ 168,348</u>	<u>\$ 205,031</u>	<u>\$ 36,683</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 113,109	\$ 53,267	\$ 59,842
Special Revenue	154,410	124,109	30,301
Total	<u>\$ 267,519</u>	<u>\$ 177,376</u>	<u>\$ 90,143</u>

Union Township
Brown County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

4. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding 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.

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. RETIREMENT SYSTEM

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2010.

6. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2010 and 2009 the Township contracted with Peerless Insurance Company, Midwestern Indemnity Company, and Westfield Companies to provide property, liability, inland marine, automobile and wrongful acts coverage. Coverage provided as of December 31, 2010 is as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage Per Occurrence/Aggregate</u>
Peerless Insurance	Property	\$36,260
Westfield Co.	General Liability	\$1,500,000
Midwestern Indemnity	Automobile	\$525,000
Peerless Insurance	Equipment	\$41,850
Westfield Co.	Employers Liability	\$100,000/\$300,000
Peerless Insurance	UAN Computer	\$2,000

Union Township
Brown County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2010 and 2009
(Continued)

6. RISK MANAGEMENT (Continued)

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium. This rate is based on accident history and administrative costs. The system administers and pays all claims.

7. CHANGES IN FINANCIAL STATEMENT PRESENTATION

In 2008 and 2007, the Township reported the financial statements on the cash basis of accounting comparable to the requirement of Government Accounting Standard No. 34. For 2009 and 2010, the Township revised its accounting basis from the cash basis of accounting to the regulatory basis the Auditor of State prescribes or permits. The Township no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with non-major funds aggregated and presented in a single column. Also, the Township does not present, for 2010 and 2009, the statement of net assets or the statement of activities.



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Union Township
Brown County
5410 Schwallie Road
Ripley, Ohio 45167

To the Board of Trustees:

We have audited the financial statements of Union Township, Brown County, Ohio, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated April 28 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, the Township changed its accounting presentation from the cash basis of accounting which substantially conformed to GAAP presentation, to the accounting basis the Auditor of State prescribes or permits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

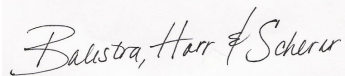
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Union Township
Brown County
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
April 28, 2011

**UNION TOWNSHIP
BROWN COUNTY
DECEMBER 31, 2010 AND 2009**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Material Weakness – Proper recording of various transactions.	Yes	



Dave Yost • Auditor of State

UNION TOWNSHIP

BROWN 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
MAY 26, 2011**