



Dave Yost • Auditor of State

**UNION TOWNSHIP
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Union Township
Lawrence County
P.O. Box 248
Chesapeake, Ohio 45619

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2015

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$52,197	\$129,793	\$181,990
Licenses, Permits and Fees	98,610		98,610
Intergovernmental	28,961	116,721	145,682
Earnings on Investments	2,108		2,108
Miscellaneous	4,338	5,077	9,415
<i>Total Cash Receipts</i>	<u>186,214</u>	<u>251,591</u>	<u>437,805</u>
Cash Disbursements			
Current:			
General Government	121,718		121,718
Public Safety	400	42,873	43,273
Public Works	2,869	111,444	114,313
Human Services	1,848		1,848
Conservation-Recreation	131		131
Capital Outlay	32,600	94,077	126,677
Debt Service:			
Principal Retirement	18,173	41,040	59,213
Interest and Fiscal Charges	1,627	4,576	6,203
<i>Total Cash Disbursements</i>	<u>179,366</u>	<u>294,010</u>	<u>473,376</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,848</u>	<u>(42,419)</u>	<u>(35,571)</u>
<i>Net Change in Fund Cash Balances</i>	6,848	(42,419)	(35,571)
<i>Fund Cash Balances, January 1</i>	<u>283,744</u>	<u>367,729</u>	<u>651,473</u>
Fund Cash Balances, December 31			
Restricted	0	325,310	325,310
Unassigned (Deficit)	290,592	0	290,592
<i>Fund Cash Balances, December 31</i>	<u>\$290,592</u>	<u>\$325,310</u>	<u>\$615,902</u>

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$51,831	\$136,144	\$187,975
Licenses, Permits and Fees	77,090		77,090
Intergovernmental	279,393	142,812	422,205
Earnings on Investments	41	10	51
Miscellaneous	1,285	7,802	9,087
<i>Total Cash Receipts</i>	<u>409,640</u>	<u>286,768</u>	<u>696,408</u>
Cash Disbursements			
Current:			
General Government	130,620		130,620
Public Safety	2,177	54,925	57,102
Public Works	8,095	135,592	143,687
Human Services	2,098		2,098
Conservation-Recreation	135		135
Other	72,094		72,094
Capital Outlay		2,206	2,206
Debt Service:			
Principal Retirement	70,950	144,434	215,384
Interest and Fiscal Charges	1,513	4,745	6,258
<i>Total Cash Disbursements</i>	<u>287,682</u>	<u>341,902</u>	<u>629,584</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>121,958</u>	<u>(55,134)</u>	<u>66,824</u>
Other Financing Receipts (Disbursements)			
Sale of Fixed Assets		6,000	6,000
Sale of Bonds		97,200	97,200
Other Financing Sources	49,400		49,400
<i>Total Other Financing Receipts (Disbursements)</i>	<u>49,400</u>	<u>103,200</u>	<u>152,600</u>
<i>Net Change in Fund Cash Balances</i>	171,358	48,066	219,424
<i>Fund Cash Balances, January 1</i>	<u>112,386</u>	<u>319,663</u>	<u>432,049</u>
Fund Cash Balances, December 31			
Restricted	0	367,729	367,729
Assigned	45,850	0	45,850
Unassigned (Deficit)	237,894	0	237,894
<i>Fund Cash Balances, December 31</i>	<u>\$283,744</u>	<u>\$367,729</u>	<u>\$651,473</u>

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 the Union Township, Lawrence County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection. The Township contracts with the Union Township Volunteer Fire Department and the Proctorville Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

2. Special Revenue Funds

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

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Fire District Fund - This fund receives tax money for providing fire protection to the Township.

D. 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. 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 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$394,963	\$432,642
Certificates of deposit	220,939	218,831
Total deposits	615,902	651,473

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

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

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,000	\$186,214	(\$786)
Special Revenue	306,000	251,591	(54,409)
Total	\$493,000	\$437,805	(\$55,195)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$232,850	\$185,445	\$47,405
Special Revenue	364,500	306,376	58,124
Total	\$597,350	\$491,821	\$105,529

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$241,780	\$459,040	\$217,260
Special Revenue	411,220	389,968	(21,252)
Total	\$653,000	\$849,008	\$196,008

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$243,550	\$287,682	(\$44,132)
Special Revenue	344,700	341,902	2,798
Total	\$588,250	\$629,584	(\$41,334)

Contrary to Ohio law, the Township did not encumber all commitments required by Ohio law.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Lease Purchase Agreement	\$23,611	4.75%
Paving Lease Purchase Agreement	104,859	2.95%
Total	<u>\$128,470</u>	

During 2004, the Township entered into a lease purchase agreement for the purchase of a new fire truck.

On October 13, 2011, the Township obtained a loan from PNC Bank, National Association for paving of Township roads, in the amount of \$167,000, at the rate of 2.11% per annum. The loan is collateralized by a certificate of deposit in the amount of the loan. On June 1, 2012, the Township retained bond counsel and canceled this loan. The Township then entered into a lease-purchase agreement for bonds in amount of \$146,600.

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

Year ending December 31:	Fire Truck Lease Purchase	Paving Lease Purchase
	2014	\$24,732
2015		31,643
2016		31,643
2017		15,822
Total	<u>\$24,732</u>	<u>\$110,751</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available).

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

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$7,830.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**UNION TOWNSHIP
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
13,418	\$0

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Union Township
Lawrence County
P.O. Box 248
Chesapeake, Ohio 45619

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Union Township, Lawrence County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated January 30, 2015 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-002 described in the accompanying Schedule of Findings to be a material weakness.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2013-001.

Entity's Response to Findings

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.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

January 30, 2015

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

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

FINDING NUMBER 2013-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance 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.
3. **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 predictable 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.

During testing for 2012 & 2013, 7% of transactions tested were not certified by the Township Fiscal Officer at the time of commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. These transactions represent 14% of the expenditure amount tested.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2013-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Township Fiscal Officer certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend that no orders involving the expenditure of money be made unless the Township Fiscal Officer has certified the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

Officials' Response:

The Township is attempting to correct these problems before the next audit.

FINDING NUMBER 2013-002

Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Township should post disbursements to the proper fund and account code. Township receipts should be posted to the fund and receipt line item account codes as established by the Ohio Administrative Code.

The Township did not post certain receipts and disbursements to the correct receipt line item account code and/or fund based on the source of the receipt.

The Township did not accurately classify the following transactions for 2012:

- General Fund Intergovernmental Receipts in the amount of \$226,326 and General Government Disbursements in the amount of \$7,495 were not posted. This made fund balance understated by a net amount of \$218,831.
- General Fund Tax Receipts in the amount of \$719 were misposted as Licenses, Permits, and Fees.
- General Fund Intergovernmental Receipts in the amount of \$255 was misposted as Miscellaneous Receipts. In addition to this, Special Revenue Intergovernmental Receipts in the amount of \$959 were misposted as Miscellaneous Receipts in the General Fund as well.
- General Fund Intergovernmental Receipts in the amount of \$8,224 and Special Revenue Intergovernmental Receipts in the amount of \$12,469 were misposted as Taxes.
- The General Fund beginning balance had to be increased by \$56,780. Also, General Fund Principal Disbursement had to be increased to show the payment of the debt.
- General Fund Principal and Interest in the amount of \$14,420 and Special Revenue Principal and Interest in the amount of \$2,531 were misposted to Public Works Disbursements.
- General Fund Capital Outlay in the amount of \$72,094 was misposted to General Government and Public Works Disbursements.

**FINDING NUMBER 2013-002
(Continued)**

- General Fund Proceeds of Capital Lease in the amount of \$49,400 was misposted as Charges for Services. They were properly posted to the financial statements as Other Financing Sources.
- General Fund Assigned Fund Balances was understated by \$45,850.
- General Fund Principal and Interest in the amount of \$1,262 was misposted to Special Revenue Public Works Disbursements.
- Special Revenue Sale of Bonds in the amount of \$97,200 was misposted as Miscellaneous Receipts.
- Special Revenue Sale of Fixed Assets in the amount of \$6,000 was misposted to Miscellaneous Receipts.
- Special Revenue beginning fund balance had to be increased \$110,220. In addition to this, Special Revenue Principal Disbursements also had to be increased by \$110,220.
- Special Revenue Principal and Interest Disbursements in the amount of \$24,732 was misposted as Capital Outlay and Public Safety Disbursements.
- Special Revenue Principal and Interest Disbursements in the amount of \$10,442 was misposted as Special Revenue Public Works and General Fund Public Works Disbursements.
- Special Revenue Capital Outlay in the amount of \$2,206 was misposted to Public Works Disbursements.
- Special Revenue Intergovernmental Receipts in the amount of \$2,000 was misposted as Miscellaneous Receipts.
- Special Revenue Receipt for a refund of expenditures in the amount of \$8,827 was misposted to Intergovernmental Receipts instead of posting a reduction to Public Works Disbursements.
- Special Revenue Principal and Interest Disbursements in the amount of \$3,785 was misposted as Special Revenue Public Works Disbursements.

The Township did not accurately classify the following transactions for 2013:

- General Fund Tax Receipts in the amount of \$560 was misposted as Licenses, Permits, and Fees.
- General Fund Intergovernmental Receipts in the amount of \$20,374 was misposted as Taxes.
- General Fund Receipt for a refund of expenditures in the amount of \$3,223 was misposted to Miscellaneous Receipts instead of posting a reduction to General Government Disbursements.
- General Fund Intergovernmental Receipts in the amount of \$6,624 was misposted as a Miscellaneous Receipt.
- General Fund Principal and Interest Disbursements in the amount of \$19,800 was misposted as General Government and Public Works Disbursements.
- General Fund Capital Outlay in the amount of \$32,600 was misposted as General Government and Public Works Disbursements.

FINDING NUMBER 2013-002
(Continued)

- General Fund Interest Receipts in the amount of \$2,180 was not posted. This made both the receipts and fund balance understated by this amount.
- Special Revenue Principal and Interest Disbursements in the amount of \$24,732 was misposted to Public Safety Disbursements.
- Special Revenue Principal and Interest Disbursements in the amount of \$20,885 was misposted to Special Revenue Public Works Expenditures and to General Fund General Government Disbursements.
- Special Revenue Capital Outlay in the amount of \$75,000 was misposted as Public Works Disbursements.

Adjustments and reclassification entries were required for 2012 and 2013 to properly classify receipts and disbursements and reflect fund balances. Inaccurate posting of Township receipts and disbursements could result in material misstatement to the financial statements. Adjustments have been proposed and posted to the 2012 and 2013 financial statements as well as the Township's accounting records where appropriate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, we recommend the Township adopt policies and procedures, including a final review of the statements and notes by the Township Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. We recommend the Township Fiscal Officer use due care while posting receipts and disbursements so that amounts are posted to the proper fund and receipt and/or disbursement classification codes. We further recommend the Township Fiscal Officer consult the Ohio Administrative Code or Ohio Township Handbook when monies are received to ensure these transactions are posted to the correct fund and receipt line item account code.

Officials' Response:

The Township is attempting to correct these problems before the next audit.

**UNION TOWNSHIP
LAWRENCE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Ohio Rev. Code Section 5705.36(A)(4) – Appropriations exceeded Actual Resources	Yes	
2011-02	Ohio Rev. Code Section 5705.41(D) for not properly encumbering	No	Not Corrected – Reissued as Finding 2013-001
2011-03	Sound Financial Reporting	No	Not Corrected – Reissued as Finding 2013-002

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Dave Yost • Auditor of State

UNION TOWNSHIP

LAWRENCE 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
FEBRUARY 19, 2015