



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	18

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Mary Taylor, CPA
Auditor of State

Union Township
Auglaize County
15054 State Route 65
Wapakoneta, Ohio 45845

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

February 9, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Auglaize County
15054 State Route 65
Wapakoneta, Ohio 45845

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Auglaize County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 requires 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, 2009 and 2008 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, 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, Auglaize County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 February 9, 2010, 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.



Mary Taylor, CPA
Auditor of State

February 9, 2010

**UNION TOWNSHIP
AUGLAIZE 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>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$28,061	\$99,487		\$127,548
Charges for Services		5,850		5,850
Licenses, Permits, and Fees	1,150			1,150
Intergovernmental	39,255	133,638	\$83,178	256,071
Earnings on Investments	7	2		9
Total Cash Receipts	<u>68,473</u>	<u>238,977</u>	<u>83,178</u>	<u>390,628</u>
Cash Disbursements:				
Current:				
General Government	56,630	1,211		57,841
Public Safety		63,850		63,850
Public Works	5,800	103,559	83,178	192,537
Health	3,908			3,908
Capital Outlay		17,500		17,500
Debt Service:				
Redemption of Principal		20,000		20,000
Interest and Other Fiscal Charges		3,593		3,593
Total Cash Disbursements	<u>66,338</u>	<u>209,713</u>	<u>83,178</u>	<u>359,229</u>
Total Receipts Over/(Under) Disbursements	<u>2,135</u>	<u>29,264</u>		<u>31,399</u>
Fund Cash Balances, January 1	<u>32,855</u>	<u>169,440</u>		<u>202,295</u>
Fund Cash Balances, December 31	<u>\$34,990</u>	<u>\$198,704</u>	<u>\$0</u>	<u>\$233,694</u>

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$26,781	\$97,898	\$124,679
Charges for Services		14,560	14,560
Licenses, Permits, and Fees	1,970		1,970
Intergovernmental	26,913	116,912	143,825
Earnings on Investments	12	6	18
Total Cash Receipts	<u>55,676</u>	<u>229,376</u>	<u>285,052</u>
Cash Disbursements:			
Current:			
General Government	71,059		71,059
Public Safety		74,665	74,665
Public Works		169,970	169,970
Health	3,903		3,903
Capital Outlay		132,354	132,354
Debt Service:			
Redemption of Principal		10,000	10,000
Interest and Other Fiscal Charges		1,176	1,176
Total Cash Disbursements	<u>74,962</u>	<u>388,165</u>	<u>463,127</u>
Total Receipts Over/(Under) Disbursements	<u>(19,286)</u>	<u>(158,789)</u>	<u>(178,075)</u>
Other Financing Receipts / (Disbursements):			
Other Debt Proceeds		100,000	100,000
Sale of Fixed Assets		65,000	65,000
Other Financing Sources	285		285
Total Other Financing Receipts / (Disbursements)	<u>285</u>	<u>165,000</u>	<u>165,285</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(19,001)	6,211	(12,790)
Fund Cash Balances, January 1	<u>51,856</u>	<u>163,229</u>	<u>215,085</u>
Fund Cash Balances, December 31	<u>\$32,855</u>	<u>\$169,440</u>	<u>\$202,295</u>

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, Auglaize 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Uniopolis Volunteer Fire Department to provide fire protection services. The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 7 provides additional information.

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. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds 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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire District Fund - This fund receives tax revenue for fire protection services.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Projects 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 funds:

Issue II Fund - The Township received a grant from the State of Ohio to replace a railroad crossing.

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. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$233,694	\$202,295

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 88,989	\$ 68,473	(\$20,516)
Special Revenue	269,309	238,977	(30,332)
Capital Projects		83,178	83,178
Total	<u>\$358,298</u>	<u>\$390,628</u>	<u>\$32,330</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,643	\$66,338	\$60,305
Special Revenue	433,949	209,713	224,236
Capital Projects		83,178	(83,178)
Total	<u>\$560,592</u>	<u>\$359,229</u>	<u>\$201,363</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 85,558	\$ 55,961	(\$29,597)
Special Revenue	355,641	394,376	38,735
Total	<u>\$441,199</u>	<u>\$450,337</u>	<u>\$ 9,138</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,786	\$ 74,962	\$75,824
Special Revenue	405,498	388,165	17,333
Total	<u>\$556,284</u>	<u>\$463,127</u>	<u>\$93,157</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gas Tax fund by \$53,333 for the year ended December 31, 2008 and in the Capital Projects fund by \$83,178 for the year ended December 31, 2009. Contrary to Ohio law, appropriations exceeded actual resources in the General Fund by \$42,969 and \$20,515, in the Motor Vehicle License Tax fund by \$1,601 and \$2,483, in the Permissive Motor Vehicle fund by \$898 and \$275, and in the Fire and Rescue Fund by \$15,440 and \$34,150 at December 31, 2009 and 2008 respectively. Also contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$13,372 and in the Fire and Rescue Fund by \$1,969 for the year ended December 31, 2008.

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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

5. DEBT

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>\$70,000</u>	4.19%
Total	<u><u>\$70,000</u></u>	

The loan was for a dump truck during 2008. The loan will be repaid in semiannual installments of \$10,000 plus interest. The interest rate on this loan is fixed at 4.19 %. A final payment of the entire unpaid balance will be due on April 30, 2013.

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

<u>Year ending December 31:</u>	<u>Truck Loan</u>
2009	\$22,724
2010	21,885
2011	21,048
2012	<u>10,210</u>
Total	<u><u>\$75,867</u></u>

Debt principal outstanding at December 31, 2009 was \$70,000.

6. RETIREMENT SYSTEMS

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 the benefits for the plan, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

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. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by APRCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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

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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,518.

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
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

Contributions to OTARMA	
2007	\$6,455
2008	\$7,639
2009	\$6,416

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent year's budgetary 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.



Mary Taylor, CPA

Auditor of State

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

Union Township
Auglaize County
15054 State Route 65
Wapakoneta, Ohio 45845

To the Board of Trustees:

We have audited the financial statements of Union Township, Auglaize County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 9, 2010 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-005 described in the accompanying schedule of findings to be a material weakness.

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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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which **are** described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated February 9, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 9, 2010

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 5705.36 (A)(4) and (5) requires that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriations or supplemental appropriation.

The following funds had actual resources less than appropriations:

<u>Year</u>	<u>Fund Name</u>	<u>Actual Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2008	General Fund	\$107,817	\$150,786	(\$42,969)
2008	Special Revenue—Motor Vehicle License Tax	25,774	27,375	(1,601)
2008	Special Revenue—Permissive Motor Vehicle Tax	14,806	15,704	(898)
2008	Special Revenue—Fire and Rescue, Ambulance and EMS Services	14,560	30,000	(15,440)
2009	General Fund	106,128	126,643	(20,515)
2009	Special Revenue—Motor Vehicle License Tax	23,671	26,154	(2,483)
2009	Special Revenue—Permissive Motor Vehicle Tax	14,031	14,306	(275)
2009	Special Revenue—Fire and Rescue, Ambulance and EMS Services	5,850	40,000	(34,150)

Failure to obtain an amended certificate could result in appropriations and expenditures being made in excess of the actual revenue and available cash balances and result in deficit spending.

The Township should perform a comparison of the estimated receipts and the actual receipts periodically in order to determine whether an amended certificate of estimated resources needs to be obtained. This comparison should also include a review of the amounts appropriated in each fund to prevent deficit spending from occurring.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code 5705.39 states, in part, that the total appropriation from each fund shall not exceed the estimated revenue available for expenditure there from as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

During 2008 the following funds had estimated resources less than appropriations:

<u>Year</u>	<u>Fund Name</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2008	General	\$137,414	\$150,786	(\$13,372)
2008	Fire District	68,256	70,225	(1,969)

To help prevent deficit spending, procedures should be implemented to ensure that appropriations do not exceed estimated resources.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code Section 5705.40 states, in part, that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations certified from or against the appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another.

An appropriation amendment was posted to the financial system on August 9, 2008, in the amount of \$100,000 that was not approved by the Board. Failure to obtain Board approval for appropriation modifications limits the management's monitoring of budgetary activity.

Procedures should be implemented to present all amendments to the Board for their approval.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code 5705.41(B) states, in part, that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2008 the Township's Gasoline Tax fund had appropriations of \$172,065 and expenditures of \$225,398; resulting in a variance of (\$53,333).

In 2009, the Township received on behalf payments through the Ohio Public Works Commission in the amount of \$83,178. This activity was not properly appropriated and was not recorded by the Township as per guidance in Auditor of State audit bulletin 2002-004. This resulted in expenditures exceeding appropriations in the Capital Projects fund by \$83,178. We have made adjustments to the financial statements to properly present the revenue and expenditure activity for 2009.

**FINDING NUMBER 2009-004
(Continued)**

To prevent future deficits, the Township should not expend funds unless the funds have been appropriated by the Trustees. Also, procedures should be implemented to properly budget, appropriate, and record on behalf payment activity benefitting the Township.

The Fiscal Officer should closely monitor the Township budgetary financial reports throughout the year so that expenditures do not exceed the appropriations at the legal level of control.

FINDING NUMBER 2009-005

Material Weakness

***Recording of Financial Activity**

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Township's 2009 accounting records and financial statements had revenue classification errors of \$4,639 in the General Fund. In addition, there were expenditure classification errors of \$23,593 in the Special Revenue Gasoline Tax fund. In 2008, the Township's accounting records and financial statements had revenue classification errors of \$4,226 in the General Fund, \$65,000 in the Special Revenue Road and Bridge Fund, and \$100,000 in the Special Revenue Gasoline Tax Fund. In addition, there were expenditure classification errors of \$131,880 in the Special Revenue Gasoline Tax fund. The classification errors consisted of but were not limited to the recording of a sale of a fixed asset as other financing sources instead of sale of fixed assets; the improper recording of debt proceeds, and the recording of purchases of equipment as public works instead of capital outlay.

The failure to correctly record revenues and expenditures could not only impact users' understanding of the financial operations; it also inhibited the Township's Trustees and management's ability to make sound financial decisions, and may impact the Township's ability to comply with budgetary laws. The accompanying financial statements have been adjusted to correctly reflect all financial activity.

The Township should review the Ohio Township Manual for guidance in the recording of revenues and expenditures. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records to help identify recording errors.

Officials' Response:

We received no response to the findings above.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	The Township mis-posted receipts resulting in material financial statement errors	No	Repeated as 2009-005
2007-002	ORC Section 505.24(C) Township paid Trustee wages out of funds other than the General Fund without keeping supporting documentation.	Partially	Reported in a separate letter to management of the Township.
2007-003	ORC Sections 5705.10 (D) and (H) Establishing a separate fund for specific revenue sources	Yes	
2007-004	Health Care Reimbursement —The Township was reimbursing Trustees and providing Health Insurance	Yes	



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

AUGLAIZE 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
APRIL 1, 2010