



**Auditor of State
Betty Montgomery**

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Champaign County
2347 Talbott Road
Mechanicsburg, OH 43044

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Champaign County, (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Union Township
Champaign County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 7, 2003

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$40,529	\$118,496	\$159,025
Intergovernmental	55,964	61,547	117,511
Licenses, Permits, and Fees	9,678	6,100	15,778
Earnings on Investments	5,548	1,185	6,733
Other Revenue	389	5,700	6,089
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	112,108	193,028	305,136
Cash Disbursements:			
Current:			
General Government	39,696		39,696
Public Safety		44,323	44,323
Public Works		243,704	243,704
Health	8,601	4,710	13,311
Capital Outlay		22,920	22,920
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	48,297	315,657	363,954
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	63,811	(122,629)	(58,818)
Other Financing Receipts and (Disbursements):			
Transfers-In		147,610	147,610
Transfers-Out	(147,610)		(147,610)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(147,610)	147,610	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(83,799)	24,981	(58,818)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	180,911	216,379	397,290
Fund Cash Balances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$97.112	\$241.360	\$338.472

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

UNION TOWNSHIP
CHAMPAIGN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Fiduciary Fund Type</u> <u>Nonexpendable</u> <u>Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$13
Operating Cash Disbursements:	
Current:	
Supplies and Materials	<u>30</u>
Operating Income/Loss	(17)
Fund Cash Balance, January 1, 2002	<u>706</u>
Fund Cash Balance, December 31, 2002	<u><u>\$689</u></u>

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

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$35,660	\$113,421	\$149,081
Intergovernmental	60,476	63,112	123,588
Licenses, Permits, and Fees	10,035	5,850	15,885
Earnings on Investments	34,131	1,899	36,030
Other Revenue	1,131	3,300	4,431
	<u>141,433</u>	<u>187,582</u>	<u>329,015</u>
Cash Disbursements:			
Current:			
General Government	42,435		42,435
Public Safety		44,095	44,095
Public Works	512	250,381	250,893
Health	7,649	5,018	12,667
Capital Outlay		914	914
	<u>50,596</u>	<u>300,408</u>	<u>351,004</u>
Total Receipts Over/(Under) Disbursements	<u>90,837</u>	<u>(112,826)</u>	<u>(21,989)</u>
Other Financing Receipts and (Disbursements):			
Transfers-In		176,391	176,391
Transfers-Out	(176,391)		(176,391)
	<u>(176,391)</u>	<u>176,391</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(85,554)	63,565	(21,989)
Fund Cash Balances, January 1	<u>266,465</u>	<u>152,814</u>	<u>419,279</u>
Fund Cash Balances, December 31	<u>\$180,911</u>	<u>\$216,379</u>	<u>\$397,290</u>

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

UNION TOWNSHIP
CHAMPAIGN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Type</u> <u>Nonexpendable</u> <u>Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$24
Operating Cash Disbursements:	<u> </u>
Operating Income	24
Fund Cash Balance, January 1, 2001	<u>682</u>
Fund Cash Balance, December 31, 2001	<u><u>\$706</u></u>

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

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Union Township, Champaign County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general government services, road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Mechanicsburg, Urbana and Pleasant Townships to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing state highways through the Township.

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

Cemetery Fund - This fund receives money from the sale of grave plots and burials to manage the cemeteries.

Fire District Fund - This fund receives property tax money for fire protection.

3. Fiduciary Fund (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had the following fiduciary fund:

Non- Expendable Trust Fund

Mollie Cage Bequest Fund – This fund accounts for monies held in perpetuity, with the interest to be used for upkeep of the cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 2002 and 2001 budgetary activity appears in Note 3.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	2002	2001
Demand deposits	\$89,848	\$62,371
STAR Ohio	249,313	335,625
Total deposits and investments	\$339,161	\$397,996

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,404	\$112,108	\$29,704
Special Revenue	190,027	340,638	150,611
Fiduciary	25	13	(12)
Total	\$272,456	\$452,759	\$180,303

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$115,705	\$195,907	(\$80,202)
Special Revenue	554,017	315,657	238,360
Fiduciary	731	30	701
Total	\$670,453	\$511,594	\$158,859

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$80,402	\$141,433	\$61,031
Special Revenue	166,005	363,973	197,968
Fiduciary	12	24	12
Total	\$246,419	\$505,430	\$259,011

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$170,476	\$226,987	(\$56,511)
Special Revenue	326,819	300,408	26,411
Fiduciary	694	0	694
Total	\$497,989	\$527,395	(\$29,406)

Budgetary expenditures exceeded appropriation authority in the General Fund by \$56,511 for the year ended December 31, 2001 and by \$80,202 for 2002. The negative variance was due to an adjustment as a result of the audit.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

5. RETIREMENT SYSTEMS (Continued)

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

6. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

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

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

Financial Position

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

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

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

6. RISK POOL MEMBERSHIP (Continued)

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

7. CONTINGENT LIABILITIES

The Township is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.



**Auditor of State
Betty Montgomery**

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

Union Township
Champaign County
2347 Talbott Road
Mechanicsburg, OH 43044

To the Board of Trustees:

We have audited the accompanying financial statements of Union Township, Champaign County, (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated May 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 7, 2003.

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Union Township
Champaign County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 7, 2003

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 5549.21 states that although road construction and maintenance are often the principal township services provided, general operating levy monies may not be expended for such purposes. All road construction and maintenance payments must be made from the township road fund. The Township paid for road maintenance totaling \$176,361 of General Fund expenditures in 2001 and \$147,610 of General Fund expenditures in 2002. The accompanying financial statements have been adjusted to reflect the reclassification of these expenditures from the general fund to the road fund.

The Township Trustees should pay for all road repairs and maintenance out of the road funds.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR YEARS ENDED DECEMBER 31, 2002 and 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40311-001	Ohio Revised Code Section 5705.41(D), purchase commitments not encumbered prior to payment.	Yes	



**Auditor of State
Betty Montgomery**

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UNION TOWNSHIP

CHAMPAIGN 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
JULY 15, 2003**