



**UNION TOWNSHIP
CHAMPAIGN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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CHAMPAIGN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Champaign County
2347 Talbott Road
Mechanicsburg, Ohio 43044

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Champaign County, (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Champaign County, as of December 31, 2006 and 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire District, Road District, and Road and Bridge Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

July 11, 2007

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of the Union Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$154,709 or 60%, a significant change from the prior year. The fund most affected by the increase in cash was the General Fund, which received \$156,687 in intergovernmental revenues. The primary revenue for these receipts was large estate tax settlements.
- The Township's general receipts are primarily property taxes. These receipts represent \$177,719 or 36.4% of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property tax.

In the statement of net assets and the statement of activities, the Township reports Governmental Activities:

Governmental activities - Most of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Fire District Fund, and Road District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township's fiduciary fund is the Mollie Cage Bequest, which is used to provide grave decorations.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$322,487	\$135,957
Investments	89,660	121,481
Total Assets	<u>\$412,147</u>	<u>\$257,438</u>
Net Assets		
Restricted for:		
Other Purposes	237,997	207,371
Unrestricted	174,150	50,067
Total Net Assets	<u>\$412,147</u>	<u>\$257,438</u>

As mentioned previously, net assets of governmental activities increased \$154,709 or 60 percent during 2006. The primary reasons contributing to the increase in cash balances are increased intergovernmental revenues including estate taxes and gasoline taxes.

Table 2 reflects the changes in net assets on a modified cash basis in 2006 and 2005 for governmental activities.

**(Table 2)
Changes in Net Assets**

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$25,101	\$25,211
Operating Grants and Contributions	97,211	87,946
Total Program Receipts	<u>122,312</u>	<u>113,157</u>
General Receipts:		
Property and Other Local Taxes	177,719	173,625
Grants and Entitlements Not Restricted to Specific Programs	172,525	42,544
Interest	15,720	7,777
Miscellaneous		425
Total General Receipts	<u>365,964</u>	<u>224,371</u>
Total Receipts	<u>488,276</u>	<u>337,528</u>

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities	
	2006	2005
Disbursements:		
General Government	69,440	66,697
Public Safety	43,107	40,750
Public Works	177,159	151,930
Health	19,940	21,736
Capital Outlay	23,921	14,196
Total Disbursements	333,567	295,309
 Increase (Decrease) in Net Assets	 154,709	 42,219
 Net Assets, January 1, 2006	 257,438	 215,219
Net Assets, December 31, 2006	\$412,147	\$257,438

Program receipts represent only 25 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and cemetery funds.

General receipts represent 75 percent of the Township's total receipts, and of this amount, 49 percent are local taxes. State and federal grants and entitlements and interest make up the balance of the Township's general receipts (51 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Trustees and Fiscal Officer, as well as building and some road maintenance expenses.

Public Safety is services for fire protection. Public Works is mainly the services, supplies and materials needed to operate the Township, and Health is mainly the County Health Department and cemetery.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursement for governmental activities is Public Works, which accounts for \$177,159 and 53.1 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 20.8 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$69,440	(\$63,654)	\$66,697	(\$57,761)
Public Safety	\$43,107	(\$43,107)	\$40,750	(\$40,750)
Public Works	177,159	(79,948)	151,930	(63,984)
Health	19,940	(625)	21,736	(5,461)
Capital Outlay	23,921	(23,921)	14,196	(14,196)
Total Expenses	\$333,567	(\$211,255)	\$295,309	(\$182,152)

The dependence upon property tax and intergovernmental receipts is apparent as over 63.3 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$488,276 and disbursements of \$333,567. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$124,083 as the result of Estate Tax Settlements.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

Final budgeted receipts remained consistent with original budgeted receipts. The Township received significantly more revenue than budgeted.

The General Fund's final disbursements were budgeted at \$127,202 while actual disbursements were \$100,293. The General Fund received more than expected and expended less than appropriated; therefore fund balance increased \$124,083 from the prior year.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

Debt

At December 31, 2006, the Township had no outstanding debt.

Current Issues

The challenge for all Governments including Township's is to provide quality services to the public while staying within the imposed restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. The Township is taking measures to reduce spending.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Vicki House, Fiscal Officer, Union Township, 2347 Talbott Road, Mechanicsburg, Ohio 43044.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2006**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$322,487
Investments	89,660
Total Assets	<u>\$412,147</u>
Net Assets	
Restricted for:	
Other Purposes	237,997
Unrestricted	174,150
Total Net Assets	<u>\$412,147</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Total</u>
Governmental Activities				
General Government	\$69,440	\$5,786		(\$63,654)
Public Safety	43,107			(43,107)
Public Works	177,159		\$97,211	(79,948)
Health	19,940	19,315		(625)
Capital Outlay	23,921			(23,921)
Total Governmental Activities	<u>\$333,567</u>	<u>\$25,101</u>	<u>\$97,211</u>	<u>(211,255)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				177,719
Grants and Entitlements not Restricted to Specific Programs				172,525
Interest				<u>15,720</u>
Total General Receipts				365,964
Change in Net Assets				154,709
Net Assets Beginning of Year				<u>257,438</u>
Net Assets End of Year				<u>\$412,147</u>

See accompanying notes to the basic financial statements.

UNION TOWNSHIP
CHAMPAIGN COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$147,942	\$47,736	\$52,921	\$35,289	\$38,599	\$322,487
Investments	26,208	10,959	39,500	2,000	10,993	89,660
Total Assets	<u>\$174,150</u>	<u>\$58,695</u>	<u>\$92,421</u>	<u>\$37,289</u>	<u>\$49,592</u>	<u>\$412,147</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	174,150					174,150
Special Revenue Funds		58,695	92,421	37,289	49,592	237,997
Total Fund Balances	<u>\$174,150</u>	<u>\$58,695</u>	<u>\$92,421</u>	<u>\$37,289</u>	<u>\$49,592</u>	<u>\$412,147</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts						
Property and Other Local Taxes	\$49,967		\$48,324	\$60,892	\$18,536	\$177,719
Licenses, Permits and Fees	5,786				12,315	18,101
Intergovernmental	156,687	\$86,201	5,887	7,663	13,298	269,736
Interest	11,936	3,200			584	15,720
Miscellaneous					7,000	7,000
Total Receipts	<u>224,376</u>	<u>89,401</u>	<u>54,211</u>	<u>68,555</u>	<u>51,733</u>	<u>488,276</u>
Disbursements						
Current:						
General Government	69,440					69,440
Public Safety			43,107			43,107
Public Works	19,200	94,530		35,038	28,391	177,159
Health	10,003				9,937	19,940
Capital Outlay	1,650			21,832	439	23,921
Total Disbursements	<u>100,293</u>	<u>94,530</u>	<u>43,107</u>	<u>56,870</u>	<u>38,767</u>	<u>333,567</u>
Excess of Receipts Over (Under) Disbursements	<u>124,083</u>	<u>(5,129)</u>	<u>11,104</u>	<u>11,685</u>	<u>12,966</u>	<u>154,709</u>
Net Change in Fund Balances	124,083	(5,129)	11,104	11,685	12,966	154,709
Fund Balances Beginning of Year	<u>50,067</u>	<u>63,824</u>	<u>81,317</u>	<u>25,604</u>	<u>36,626</u>	<u>257,438</u>
Fund Balances End of Year	<u><u>\$174,150</u></u>	<u><u>\$58,695</u></u>	<u><u>\$92,421</u></u>	<u><u>\$37,289</u></u>	<u><u>\$49,592</u></u>	<u><u>\$412,147</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2006**

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$140
Investments	546
Total Assets	<u>\$686</u>
Net Assets	
Unrestricted	<u>\$686</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Private Purpose Trust</u>
Additions	
Interest	<u>\$27</u>
Change in Net Assets	27
Net Assets - Beginning of Year	<u>659</u>
Net Assets - End of Year	<u><u>\$686</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$53,700	\$53,700	\$49,967	(\$3,733)
Licenses, Permits and Fees	5,349	5,349	5,786	437
Intergovernmental	15,986	15,986	156,687	140,701
Interest	2,000	2,000	11,936	9,936
Other	100	100		(100)
Total receipts	<u>77,135</u>	<u>77,135</u>	<u>224,376</u>	<u>147,241</u>
Disbursements				
Current:				
General Government	91,836	92,136	69,440	22,696
Public Works	15,866	19,866	19,200	666
Health	10,500	10,500	10,003	497
Capital Outlay	9,000	4,700	1,650	3,050
Total Disbursements	<u>127,202</u>	<u>127,202</u>	<u>100,293</u>	<u>26,909</u>
Excess of Receipts Over (Under) Disbursements	<u>(50,067)</u>	<u>(50,067)</u>	<u>124,083</u>	<u>174,150</u>
Net Change in Fund Balance	(50,067)	(50,067)	124,083	174,150
Fund Balance Beginning of Year	<u>50,067</u>	<u>50,067</u>	<u>50,067</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$174,150</u>	<u>\$174,150</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$51,000	\$51,000	\$86,201	\$35,201
Interest	1,028	1,028	3,200	2,172
Total receipts	<u>52,028</u>	<u>52,028</u>	<u>89,401</u>	<u>37,373</u>
Disbursements				
Current:				
Public Works	<u>115,852</u>	<u>115,852</u>	<u>94,530</u>	<u>21,322</u>
Excess of Receipts Over (Under) Disbursements	<u>(63,824)</u>	<u>(63,824)</u>	<u>(5,129)</u>	<u>58,695</u>
Net Change in Fund Balance	(63,824)	(63,824)	(5,129)	58,695
Fund Balance Beginning of Year	<u>63,824</u>	<u>63,824</u>	<u>63,824</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$58,695</u></u>	<u><u>\$58,695</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$48,600	\$48,600	\$48,324	(\$276)
Intergovernmental	5,500	5,500	5,887	387
Total receipts	<u>54,100</u>	<u>54,100</u>	<u>54,211</u>	<u>111</u>
Disbursements				
Current:				
Public Safety	<u>135,417</u>	<u>135,417</u>	<u>43,107</u>	<u>92,310</u>
Excess of Receipts Over (Under) Disbursements	<u>(81,317)</u>	<u>(81,317)</u>	<u>11,104</u>	<u>92,421</u>
Net Change in Fund Balance	(81,317)	(81,317)	11,104	92,421
Fund Balance Beginning of Year	<u>81,317</u>	<u>81,317</u>	<u>81,317</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$92,421</u></u>	<u><u>\$92,421</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$61,700	\$61,700	\$60,892	(\$808)
Intergovernmental	6,677	6,677	7,663	986
Total receipts	<u>68,377</u>	<u>68,377</u>	<u>68,555</u>	<u>178</u>
Disbursements				
Current:				
Public Works	58,981	36,981	35,038	1,943
Capital Outlay	35,000	57,000	21,832	35,168
Total Disbursements	<u>93,981</u>	<u>93,981</u>	<u>56,870</u>	<u>37,111</u>
Excess of Receipts Over (Under) Disbursements	<u>(25,604)</u>	<u>(25,604)</u>	<u>11,685</u>	<u>37,289</u>
Net Change in Fund Balance	(25,604)	(25,604)	11,685	37,289
Fund Balance Beginning of Year	<u>25,604</u>	<u>25,604</u>	<u>25,604</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$37,289</u>	<u>\$37,289</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. REPORTING ENTITY

The Union Township, Champaign County, Ohio is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, and cemetery maintenance. The Township contracts with the following for fire protection: Urbana Township, Pleasant Township, and Village of Mechanicsburg. Law enforcement protection is provided by the Champaign County Sheriff's Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental and fiduciary.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline, Fire District, and Road District Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other major funds are as follows:

Gasoline Tax – Receives state gasoline tax revenue for maintenance and repair of roads.

Fire District – Receives property tax revenue for fire protection services.

Road District – Receives property tax revenue for the maintenance and repair of roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Fund

The Township's fiduciary fund is the Mollie Cage Bequest Fund. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund accounts for the upkeep and decorating of the individual's grave.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All the Township funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2006 was \$11,936 which includes \$5,319 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads, fire services, and cemeteries. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax, Fire District, and Road District Funds prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The Township had no outstanding year end encumbrances.

4. DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no un-deposited cash on hand.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$251,019 of the Township's bank balance of \$351,019 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of December 31, 2005, the Township had only STAR Ohio investments. The investment has a carrying value of \$90,206 and maturity of a few days.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township has no investment policy; however it addresses interest rate risk by investing only in STAR Ohio, which is structured so the Township can meet its cash requirements for ongoing operations.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

5. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after April 1, 2006, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$28,486,620
Agriculture	\$ 8,826,780
Commercial/Industrial/Mineral	\$ 1,491,130
Public Utility Property	
Real Property	
Personal	\$ 1,734,960
Tangible Personal Property	\$ 836,489
Total Assessed Value	<u>\$41,375,979</u>

6. 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

A. Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

B. Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

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

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.

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

C. Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

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

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$14,512. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Township Contributions to OTARMA

2004	\$7,014
2005	\$8,572
2006	\$7,256

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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.

7. DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

7. DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$13,427, \$11,426 and \$9,151 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

8. POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$2,662. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

9. CONTINGENT LIABILITY AND SUBSEQUENT EVENT

The Township is a defendant in a lawsuit. In June 2005, the plaintiff was awarded \$29,687.70, approximately one-ninth of the demanded amount. The trial court also awarded pre- and post-judgment interest. In August 2005, the Township made a partial payment of \$20,000 to the plaintiff.

In June 2006, the appeals court reversed the jury verdict and remanded the matter for further proceedings on the Township's counterclaim. The plaintiff unsuccessfully sought review from the Ohio Supreme Court. In May 2007, the Township dismissed its counterclaim in exchange for the return of its \$20,000 partial payment. The Township received the payment in the same month.

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**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

This discussion and analysis of the Union Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$42,219 or 19.6%, a significant change from the prior year. The change was primarily due to increased intergovernmental revenues for the General and Gasoline Tax funds.
- The Township's general receipts are primarily property taxes. These receipts represent \$173,625 or 51.4% of the total cash received for governmental activities during the year.
- The Township received \$3,325 from Ohio Emergency Management Agency for expenses incurred from the December 22 thru 23, 2004 snow removal.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances activities and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non financial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township reports Governmental Activities:

Governmental Activities - Most of the Township's basic services are reported here. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire District Fund, and Road District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township's fiduciary fund is the Mollie Cage Bequest, which is used to provide grave decorations.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$135,957	\$215,219
Investments	121,481	
Total Assets	<u>\$257,438</u>	<u>\$215,219</u>
Net Assets		
Restricted for:		
Other Purposes	\$207,371	\$173,702
Unrestricted	\$50,067	\$41,517
Total Net Assets	<u>\$257,438</u>	<u>\$215,219</u>

As mentioned previously, net assets of governmental activities increased \$42,219 or 19.6% during 2005. The primary reasons contributing to the increase in cash balances are increased intergovernmental revenues including estate taxes and gasoline taxes.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$25,211
Operating Grants and Contributions	87,946
Total Program Receipts	<u>\$113,157</u>
General Receipts:	
Property and Other Local Taxes	173,625
Grants and Entitlements Not Restricted to Specific Programs	42,544
Interest	7,777
Miscellaneous	425
Total General Receipts	<u>\$224,371</u>
Total Receipts	<u>\$337,528</u>

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**(Table 2)
Changes in Net Assets
(Continued)**

	Governmental Activities 2005
Disbursements:	
General Government	66,697
Public Safety	40,750
Public Works	151,930
Health	21,736
Capital Outlay	14,196
Total Disbursements	\$295,309
 Increase (Decrease) in Net Assets	42,219
 Net Assets, January 1, 2005	215,219
Net Assets, December 31, 2005	\$257,438

Program receipts represent only 33.5 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 66.5 percent of the Township's total receipts, and of this amount, over 77.4 percent are local taxes. State and federal grants and entitlements, interest and miscellaneous revenues make up the balance of the Township's general receipts (22.6 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of most of Trustees and Fiscal Officer, as well as some of the road maintenance expenses.

Public Works is mainly the services, supplies and materials needed to operate the Township. Public Safety is services for fire protection and Health is mainly the County Health Department and Cemetery.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Works, which account for \$151,930 and 51.4 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 22.6 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
	General Government	\$66,697
Public Safety	40,750	(40,750)
Public Works	151,930	(63,984)
Health	21,736	(5,461)
Capital Outlay	14,196	(14,196)
Total Expenses	<u>\$295,309</u>	<u>(\$182,152)</u>

The dependence upon property and other local taxes is apparent as over 61.7 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$340,853 and disbursements of \$298,634. The greatest change within governmental funds occurred within the Gas Tax Fund. The fund balance of the Gas Tax Fund increased \$23,333 as the result of increased gas tax revenue.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The General Fund's final disbursements were budgeted at \$118,530 while actual disbursements were \$79,969. The General Fund received more than expected and expended less than appropriated; therefore fund balance increased \$8,550 from the prior year.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

Debt

At December 31, 2005, the Township had no outstanding debt.

Current Issues

The challenge for all Governments including Township's is to provide quality services to the public while staying within the imposed restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. The Township is taking measures to reduce spending to offset decreasing revenue in comparison to increasing expenses.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED
(Continued)**

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Vicki House, Fiscal Officer, Union Township, 2347 Talbott Road, Mechanicsburg, Ohio 43044.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$135,957
Investments	121,481
Total Assets	<u><u>\$257,438</u></u>
Net Assets	
Restricted for:	
Other Purposes	207,371
Unrestricted	50,067
Total Net Assets	<u><u>\$257,438</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities			
General Government	\$66,697	\$8,936	(\$57,761)
Public Safety	40,750		(40,750)
Public Works	151,930	\$87,946	(63,984)
Health	21,736	16,275	(5,461)
Capital Outlay	14,196		(14,196)
Total Governmental Activities	\$295,309	\$25,211	(182,152)
General Receipts			
Property Taxes Levied for:			
General Purposes			173,625
Grants and Entitlements not Restricted to Specific Programs			42,544
Interest			7,777
Miscellaneous			425
Total General Receipts			224,371
Change in Net Assets			42,219
Net Assets Beginning of Year			215,219
Net Assets End of Year			\$257,438

See accompanying notes to the basic financial statements.

UNION TOWNSHIP
CHAMPAIGN COUNTY

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$27,890	\$28,956	\$94	\$41,817	\$23,604	\$13,596	\$135,957
Investments	22,177	34,868	15,500	39,500	2,000	7,436	121,481
Total Assets	<u>\$50,067</u>	<u>\$63,824</u>	<u>\$15,594</u>	<u>\$81,317</u>	<u>\$25,604</u>	<u>\$21,032</u>	<u>\$257,438</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	50,067						50,067
Special Revenue Funds		63,824	15,594	81,317	25,604	21,032	207,371
Total Fund Balances	<u>\$50,067</u>	<u>\$63,824</u>	<u>\$15,594</u>	<u>\$81,317</u>	<u>\$25,604</u>	<u>\$21,032</u>	<u>\$257,438</u>

See accompanying notes to the basic financial statements.

UNION TOWNSHIP
CHAMPAIGN COUNTY

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Gasoline Tax	Road and Bridge	Fire District	Road District	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$48,822		\$18,486	\$47,241	\$59,076		\$173,625
Licenses, Permits and Fees	8,936					11,125	20,061
Intergovernmental	24,385	77,233	1,874	5,423	7,537	14,038	130,490
Interest	5,951	1,564				262	7,777
Miscellaneous	425					5,150	5,575
Total Receipts	<u>88,519</u>	<u>78,797</u>	<u>20,360</u>	<u>52,664</u>	<u>66,613</u>	<u>30,575</u>	<u>337,528</u>
Disbursements							
Current:							
General Government	66,697						66,697
Public Safety				40,750			40,750
Public Works	2,295	58,789	35,774		43,572	11,500	151,930
Health	9,156					12,580	21,736
Capital Outlay	1,821				7,500	4,875	14,196
Total Disbursements	<u>79,969</u>	<u>58,789</u>	<u>35,774</u>	<u>40,750</u>	<u>51,072</u>	<u>28,955</u>	<u>295,309</u>
Excess of Receipts Over (Under) Disbursements	<u>8,550</u>	<u>20,008</u>	<u>(15,414)</u>	<u>11,914</u>	<u>15,541</u>	<u>1,620</u>	<u>42,219</u>
Other Financing Sources (Uses)							
Transfers In		3,325					3,325
Transfers Out						(3,325)	(3,325)
Total Other Financing Sources (Uses)		<u>3,325</u>				<u>(3,325)</u>	
Net Change in Fund Balances	8,550	23,333	(15,414)	11,914	15,541	(1,705)	42,219
Fund Balances Beginning of Year	<u>41,517</u>	<u>40,491</u>	<u>31,008</u>	<u>69,403</u>	<u>10,063</u>	<u>22,737</u>	<u>215,219</u>
Fund Balances End of Year	<u>\$50,067</u>	<u>\$63,824</u>	<u>\$15,594</u>	<u>\$81,317</u>	<u>\$25,604</u>	<u>\$21,032</u>	<u>\$257,438</u>

See accompanying notes to the basic financial statements.

UNION TOWNSHIP
CHAMPAIGN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
DECEMBER 31, 2005

	<u>Private Purpose Trust</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$140
Investments	<u>519</u>
Total Assets	<u><u>\$659</u></u>
Net Assets	
Unrestricted	<u><u>\$659</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Private Purpose Trust</u>
Additions	
Interest	\$15
Deductions	
Payments in Accordance with Trust Agreements	<u>35</u>
Change in Net Assets	(20)
Net Assets - Beginning of Year	<u>679</u>
Net Assets - End of Year	<u><u>\$659</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$50,100	\$50,100	\$48,822	(\$1,278)
Licenses, Permits and Fees	6,500	6,500	8,936	2,436
Intergovernmental	18,113	18,113	24,385	6,272
Interest	2,200	2,200	5,951	3,751
Other	100	100	425	325
Total receipts	<u>77,013</u>	<u>77,013</u>	<u>88,519</u>	<u>11,506</u>
Disbursements				
Current:				
General Government	71,743	73,945	66,697	7,248
Public Works	27,387	26,157	2,295	23,862
Health	10,000	10,000	9,156	844
Capital Outlay	9,400	8,428	1,821	6,607
Total Disbursements	<u>118,530</u>	<u>118,530</u>	<u>79,969</u>	<u>38,561</u>
Excess of Receipts Over (Under) Disbursements	<u>(41,517)</u>	<u>(41,517)</u>	<u>8,550</u>	<u>50,067</u>
Net Change in Fund Balance	(41,517)	(41,517)	8,550	50,067
Fund Balance Beginning of Year	<u>41,517</u>	<u>41,517</u>	<u>41,517</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$50,067</u></u>	<u><u>\$50,067</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Intergovernmental	\$50,800	\$50,800	\$77,233	\$26,433
Interest	513	513	1,564	1,051
Total receipts	<u>51,313</u>	<u>51,313</u>	<u>78,797</u>	<u>27,484</u>
Disbursements				
Current:				
Public Works	<u>91,804</u>	<u>91,804</u>	<u>58,789</u>	<u>33,015</u>
Excess of Receipts Over (Under) Disbursements	<u>(40,491)</u>	<u>(40,491)</u>	<u>20,008</u>	<u>60,499</u>
Other Financing Sources (Uses)				
Transfers In	<u> </u>	<u> </u>	<u>3,325</u>	<u>3,325</u>
Net Change in Fund Balance	(40,491)	(40,491)	23,333	63,824
Fund Balance Beginning of Year	<u>40,491</u>	<u>40,491</u>	<u>40,491</u>	<u> </u>
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$63,824</u>	<u>\$63,824</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$16,600	\$16,600	\$18,486	\$1,886
Intergovernmental	1,800	1,800	1,874	74
Total receipts	<u>18,400</u>	<u>18,400</u>	<u>20,360</u>	<u>1,960</u>
Disbursements				
Current:				
Public Works	<u>49,408</u>	<u>49,408</u>	<u>35,774</u>	<u>13,634</u>
Excess of Receipts Over (Under) Disbursements	<u>(31,008)</u>	<u>(31,008)</u>	<u>(15,414)</u>	<u>15,594</u>
Net Change in Fund Balance	(31,008)	(31,008)	(15,414)	15,594
Fund Balance Beginning of Year	<u>31,008</u>	<u>31,008</u>	<u>31,008</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$15,594</u></u>	<u><u>\$15,594</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$45,700	\$45,700	\$47,241	\$1,541
Intergovernmental	5,000	5,000	5,423	423
Total receipts	<u>50,700</u>	<u>50,700</u>	<u>52,664</u>	<u>1,964</u>
Disbursements				
Current:				
Public Safety	<u>120,103</u>	<u>120,103</u>	<u>40,750</u>	<u>79,353</u>
Excess of Receipts Over (Under) Disbursements	<u>(69,403)</u>	<u>(69,403)</u>	<u>11,914</u>	<u>81,317</u>
Net Change in Fund Balance	(69,403)	(69,403)	11,914	81,317
Fund Balance Beginning of Year	<u>69,403</u>	<u>69,403</u>	<u>69,403</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$81,317</u></u>	<u><u>\$81,317</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$57,600	\$57,600	\$59,076	\$1,476
Intergovernmental	6,500	6,500	7,537	1,037
Total receipts	<u>64,100</u>	<u>64,100</u>	<u>66,613</u>	<u>2,513</u>
Disbursements				
Current:				
Public Works	64,163	64,163	43,572	20,591
Capital Outlay	10,000	10,000	7,500	2,500
Total Disbursements	<u>74,163</u>	<u>74,163</u>	<u>51,072</u>	<u>23,091</u>
Excess of Receipts Over (Under) Disbursements	<u>(10,063)</u>	<u>(10,063)</u>	<u>15,541</u>	<u>25,604</u>
Net Change in Fund Balance	(10,063)	(10,063)	15,541	25,604
Fund Balance Beginning of Year	<u>10,063</u>	<u>10,063</u>	<u>10,063</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$25,604</u></u>	<u><u>\$25,604</u></u>

See accompanying notes to the basic financial statements.

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**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. REPORTING ENTITY

The Union Township, Champaign County, Ohio (the Township) is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, and cemetery maintenance. The Township contracts with the following for fire protection: Urbana Township, Pleasant Township, and Village of Mechanicsburg. Law enforcement protection is provided by the Champaign County Sheriff's Department.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental and fiduciary.

1. Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Fire District, and Road District Funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The other major funds are as follows:

Gasoline Tax – Receives state gasoline tax revenue for maintenance and repair of roads.

Road and Bridge – Receives property tax revenue for the maintenance and repair of roads and bridges.

Fire District – Receives property tax revenue for fire protection services.

Road District – Receives property tax revenue for the maintenance and repair of roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Fund

The Township's fiduciary fund is the Mollie Cage Bequest Fund. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township's private purpose trust fund accounts for the upkeep and decorating of the individual's grave.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All the Township's funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$5,951 which includes \$3,242 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads, fire services, and cemeteries. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type. Fund balances as presented in the prior audit are now presented as Net Assets on the government-wide financial statements.

4. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road & Bridge Fund, Fire District, and Road District prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The Township had no outstanding year end encumbrances.

5. DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no un-deposited cash on hand.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$45,143 of the Township's bank balance of \$145,143 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

As of December 31, 2005, the Township had only STAR Ohio investments. The investment has a carrying value of \$122,000 and maturity of a few days.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township has no investment policy; however it addresses interest rate risk by investing only in STAR Ohio, which is structured so the Township can meet its cash requirements for ongoing operations.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

STAR Ohio carries a rating of AAAm by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

6. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after April 1, 2005, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$26,971,650
Agriculture	\$ 8,827,360
Commercial/Industrial/Mineral	\$ 1,487,040
Public Utility Property	
Real Property	
Personal	\$ 1,666,044
Tangible Personal Property	\$ 731,142
Total Assessed Value	<u><u>\$39,683,236</u></u>

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. RISK MANAGEMENT

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

A. Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

B. Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

C. 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, 2005 and 2004.

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage	2005	2004
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$17,144. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Township Contributions to OTARMA	
2003	\$6,228
2004	\$7,014
2005	\$8,572

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital 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 was incurred or reported prior to the withdrawal.

8. DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLAN (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries. The employer contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$11,426, \$9,151, and \$8,874 respectively; 100% percent has been contributed for 2005, 2004, and 2003.

9. POST EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was \$376,109. Actual Township contributions for 2005 which were used to fund post-employment benefits were \$2,073. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

9. POST EMPLOYMENT BENEFITS (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

10. TRANSFERS

During 2005, the Township transferred \$3,325 from the Other Special Revenue fund to the Gasoline Tax Fund to reimburse the fund with grant monies for expenditures incurred during the 2004 winter storm. The grant monies represent funds from the Federal Emergency Management Agency.

11. CONTINGENT LIABILITY AND SUBSEQUENT EVENT

The Township is a defendant in a lawsuit. In June 2005, the plaintiff was awarded \$29,687.70, approximately one-ninth of the demanded amount. The trial court also awarded pre- and post-judgment interest. In August 2005, the Township made a partial payment of \$20,000 to the plaintiff.

In June 2006, the appeals court reversed the jury verdict and remanded the matter for further proceedings on the Township's counterclaim. The plaintiff unsuccessfully sought review from the Ohio Supreme Court. In May 2007, the Township dismissed its counterclaim in exchange for the return of its \$20,000 partial payment. The Township received the payment in the same month.

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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
Champaign County
2347 Talbott Road
Mechanicsburg, Ohio 43044

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Champaign County, (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 11, 2007, , wherein we noted the Township revised its financial statements for 2005, making them comparable to the requirements of Governmental Accounting Standard Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for the State and Local Governments*. 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 expressing our opinions on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

**Internal Control Over Financial Reporting
(Continued)**

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2006-001 through 2006-003 are also material weaknesses.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-002 through 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 11, 2007.

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



Mary Taylor, CPA
Auditor of State

July 11, 2007

**UNION TOWNSHIP
CHAMPAIGN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness

Classification of Revenues

The Township received several types of revenues from various sources including the County Auditor, Auditor of State, and funeral homes. The following revenue classification errors occurred in 2005 and 2006:

- Intergovernmental revenues posted as taxes
 - Auto registration
 - Exempt personal property
 - CAT reimbursements
 - Utility reimbursements
- Estate revenue posted at net
- Road District fund revenue posted to Road & Bridge fund
- FEMA reimbursement posted to two funds as intergovernmental revenue
- Cemetery fee posted to the General Fund

The errors resulted in significant misstatements on the financial statements between accounts and funds. The financial statements have been adjusted to properly present the financial activity of the Township.

The Fiscal Officer should review the UAN manual and determine the proper revenue classification codes based on the type of revenue received. The Fiscal Officer should also take measures to ensure revenues are posted at gross and to the proper funds. The proper classification of revenues is essential for the annual financial reports to accurately reflect the revenues of the Township.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-002

Noncompliance and Material Weakness

Ohio Rev. Code Section 5549.21 allows a board of township trustees to purchase or lease machinery and tools as are necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township. Except as otherwise provided in sections 505.08, 505.101, and 5513.01 of the Revised Code, all purchases of materials, machinery, and tools shall, if the amount involved exceeds twenty-five thousand dollars, be made from the lowest responsible bidder after advertisement for bids once, not later than two weeks, prior to the date fixed for the letting of the contract, in a newspaper published in the county and of general circulation within the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township.

**FINDING NUMBER 2006-002
(Continued)**

The Township purchased a tractor and loader valued at \$54,032 in 2006. The Township did not competitively bid the tractor as provided for in the aforementioned sections of the Revised Code. The Township did receive quotes for the purchase; however the highest quote was approved for the purchase.

To provide for proper stewardship of public funds, the Township should follow the competitive bidding requirements as set forth in the Revised Code. Failure to follow competitive bidding laws can result in excessive expenditures of public money.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Noncompliance and Material Weakness

Ohio Rev. Code Section 5575.01 and 5575.02 states that in the maintenance and repair of roads, the board of township trustees may proceed either by contract or force account. Except as otherwise provided in sections 505.08 and 505.101 of the Revised Code, when the board proceeds by contract, the contract shall, if the amount involved exceeds forty-five thousand dollars, be let by the board to the lowest responsible bidder after advertisement for bids once, not later than two weeks, prior to the date fixed for the letting of the contract, in a newspaper published in the county and of general circulation within the township or, if no newspaper is published in the county, in a newspaper having general circulation in the township.

The Township advertised for 2005 road bids in March 2005 asking for bids to be received by April 18, 2005. On that date, the Trustees received and reviewed one bid. On May 16, 2005, the Trustees received another bid for the 2005 road work project and the contract was granted to the late bidder. There was no indication the project was re-advertised nor did the Township provide opportunity for other contractors to submit bids past their bid opening deadline. The Township expended \$66,993 to the company for the project in 2005.

To improve compliance and help ensure the Township receives the best cost, the Trustees should follow competitive bidding rules and award contracts to the lowest, best bidder for the Township's projects.

Officials' Response

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

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
AUGUST 14, 2007**