



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
BROWN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
2006 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2006.....	9
Statement of Activities – Cash Basis for the Year Ended December 31, 2006	10
2006 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds as of December 31, 2006.....	11
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Motor Vehicle License Tax Fund For the Year Ended December 31, 2006	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2006	15
2005 Government-wide Financial Statements:	
Statement of Net Assets – Cash Basis as of December 31, 2005.....	16
Statement of Activities – Cash Basis for the Year Ended December 31, 2005	17
2005 Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds as of December 31, 2005.....	18
Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005	19

**UNION TOWNSHIP
BROWN COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005	20
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Motor Vehicle License Tax Fund For the Year Ended December 31, 2005	21
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2005	22
Notes to the Financial Statements	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33
Schedule of Findings.....	35
Schedule of Prior Audit Findings.....	37



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Brown County
West Henry Road
Ripley, Ohio 45167

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, Brown County, Ohio (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 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Brown County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, and Motor Vehicle License Tax funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006 and 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, on our consideration of the Government'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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 21, 2007

Union Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 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, 2006 and 2005, within the limitations of the Township's 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 and 2005 are as follows:

In 2006 net assets of governmental activities increased \$3,658 or 3 percent. The increase was partially due to the General Fund receiving a larger estate tax settlement in 2006.

In 2005 net assets of governmental activities decreased \$24,170 or 15 percent, a significant change from the prior year. The decrease was largely due to the increase in 2005 disbursements of \$93,247.

In 2005 the Township received a Community Development Block Grant from Brown County in the amount of \$10,526 and \$20,000 from the Village of Ripley. These amounts were used to help pay for a Fire Tanker.

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 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Union Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited
(Continued)

Basis of Accounting

As a result of using the 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 cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances 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 or capital 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 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 nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets, 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.

Reporting the Government'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 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 nonmajor 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 for 2006 and 2005 are the General Fund, Motor Vehicle License Tax Fund, and the Gasoline Tax Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Union Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited
(Continued)

The Government as a Whole

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

Table I
Net Assets

Cash and Cash Equivalents	\$ 144,693	\$ 141,035
Total Assets	<u>\$ 144,693</u>	<u>\$ 141,035</u>
Net Assets		
Restricted for:		
Road Maintenance	63,996	68,523
Fire Protection	9,003	8,876
Unrestricted	71,694	63,636
Total Net Assets	<u>\$ 144,693</u>	<u>\$ 141,035</u>

As mentioned previously, net assets of governmental activities increased \$3,658 or 3% percent during 2006. The primary reason contributing to the increase in cash balances is as follows:

In 2006 the increase was due to the General Fund which received a larger estate tax settlement in the amount of \$44,889.

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

(Table 2)

Changes in Net Assets

Governmental Activities

	2006	2005	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$13,425	\$ 15,040	\$ (1,615)
Operating Grants and Contributions	86,201	107,758	(21,557)
Total Program Receipts	99,626	122,798	(23,172)
General Receipts:			
Property and Other Local Taxes	33,496	30,426	3,070
Grants and Entitlements not Restricted to Specific Programs	76,430	57,354	19,076
Earnings on Investments	3,090	3,326	(236)
Miscellaneous	879	689	190
Total General Receipts	113,895	91,795	22,100
Total Receipts	<u>213,521</u>	214,593	(1,072)
Disbursements:			
General Government	74,104	62,166	11,938
Public Safety	17,668	22,243	(4,575)
Public Works	104,279	86,076	18,203
Health	13,812	13,441	371
Capital Outlay	0	54,837	(54,837)
Total Disbursements	209,863	238,763	(28,900)
Increase (Decrease) in Net Assets	3,658	(24,170)	27,829
Net Assets, January 1	141,035	165,205	(24,171)
Net Assets, December 31	<u>144,693</u>	<u>141,035</u>	<u>3,658</u>

Union Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited
(Continued)

In 2006, program receipts represent 47percent of total receipts. In 2005, program receipts represent 57 percent of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money and CDBG monies.

In 2006, general receipts represent 53 percent of the Township's total receipts and of the general receipts, 29 percent are local taxes. In 2005 general receipts represent 43% of the Township's total receipts and of the general receipts 33 percent are local taxes. In 2006, state grants and entitlements make 67% of the Township's general receipts and in 2005 (62) 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 official's salaries, township hall, maintenance, and utilities.

Public Safety is the costs of fire protection; Public Works is the costs for maintaining and repairing the roads; Health is the township's allocation portion for the health department paid to the county; Capital Outlay is the cost of purchasing capital assets (fire tanker and truck).

Governmental Activities

If you look at the Statement of Activities on page 10 and 17, 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 for public works, which account for 50 and 36 percent of all governmental disbursements in 2006 and 2005, respectively. General government also represents a significant cost, about 35 percent in 2006 and 26 percent in 2005. 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.

.. (Table 3)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$74,104	(\$74,104)	\$62,166	(\$62,166)
Pubic Safety	17,668	(17,668)	22,243	(22,243)
Pubic Works	104,279	(4,653)	86,076	4,584
Health	13,812	(13,812)	13,441	(13,441)
Other	0	0	0	1,612
Capital Outlay	0	0	54,837	(24,311)
Total Expenses	\$209,863	(\$110,237)	\$238,763	(\$115,965)

The dependence upon property tax and intergovernmental receipts is apparent as over 51 and 41 percent for 2006 and 2005, respectively, of governmental activities are supported through these general receipts.

Union Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited
(Continued)

The Government's Funds

In 2006 total governmental funds had receipts of \$213,521 and disbursements of \$209,863 and in 2005 receipts of \$214,593 and disbursements of \$238,763. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$8,058 which was 13% as the result of receiving inheritance estate taxes in the amount of \$44,889 which was \$17,492 more than 2005. The Township was conservative in their spending which helped increase the General Fund Balance.

In 2006 the Motor Vehicle License Tax Fund the receipts and disbursements did not change significantly from 2005.

In 2006 the Gasoline Tax Fund receipts increased by \$8,658 which was 11% and disbursements did not increase significantly. The Gasoline Tax Fund balance decreased slightly by \$1,537 which was 3%.

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 most significant budgeted fund is the General Fund.

During 2006, the Township amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due partially to the increase in inheritance tax received. Final disbursements were budgeted at \$139,621 while actual disbursements were \$92,518. The Township is cutting expenses due to the fact that they will no longer be receiving inheritance tax.

In 2005, the Township did not amend its General Fund budget during the year. Final budgeted receipts were \$1,885 less than actual receipts. Final disbursements were budgeted at \$117,911 while actual disbursements were \$95,695.

Capital Assets

The Government does not report capital assets under the cash basis of accounting.

Debt Administration

The Township had no debt during the period of January 1, 2005 to December 31, 2006.

Current Issues

The challenge for all Township's is to provide quality services to the public while staying within the 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. We are working on cutting expenses in the General Fund.

Contacting the Government'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 Angela Hauke, Fiscal Officer, Union Township, P.O. Box 29, Ripley, Ohio 45167 or by phone at 937-392-1435.

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Union Township
Brown County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$144,693</u>
<i>Total Assets</i>	<u><u>\$144,693</u></u>
Net Assets	
Restricted for:	
Other Purposes:	
Road Maintenance	\$63,996
Fire Protection	9,003
Unrestricted	<u>71,694</u>
<i>Total Net Assets</i>	<u><u>\$144,693</u></u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Governmental Activities
Governmental Activities			
General Government	\$74,104	-	-
Public Safety	17,668	-	-
Public Works	104,279	13,425	86,201
Health	13,812	-	-
Other	-	-	-
<i>Total Governmental Activities</i>	<u>209,863</u>	<u>13,425</u>	<u>86,201</u>
			<u>(110,237)</u>
General Receipts			
Property and other local taxes			33,496
Grants and Entitlements not Restricted to Specific Programs			76,430
Interest			3,090
Miscellaneous			879
<i>Total General Receipts</i>			113,895
Change in Net Assets			3,658
<i>Net Assets Beginning of Year</i>			<u>141,035</u>
<i>Net Assets End of Year</i>			<u>\$144,693</u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Motor Vehicle License Tax Fund</u>	<u>Gasoline Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$71,694	\$17,012	\$46,984	\$9,003	\$144,693
<i>Total Assets</i>	<u>\$71,694</u>	<u>\$17,012</u>	<u>\$46,984</u>	<u>\$9,003</u>	<u>\$144,693</u>
Fund Balances					
Unreserved:					
Undesignated , Reported in:					
General Fund	71,694				71,694
Special Revenue Funds		17,012	46,984	9,003	72,999
<i>Total Fund Balances</i>	<u>\$71,694</u>	<u>\$17,012</u>	<u>\$46,984</u>	<u>\$9,003</u>	<u>\$144,693</u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Motor Vehicle License Tax Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$23,725			\$9,771	\$33,496
Intergovernmental	74,594	\$13,425	\$86,201	1,836	176,056
Interest	1,378	585	1,127		3,090
Other	879				879
<i>Total Receipts</i>	<u>100,576</u>	<u>14,010</u>	<u>87,328</u>	<u>11,607</u>	<u>213,521</u>
Disbursements					
Current:					
General Government	43,956		18,668	11,480	74,104
Public Safety	17,668				17,668
Public Works	17,082	17,000	70,197		104,279
Health	13,812				13,812
<i>Total Disbursements</i>	<u>92,518</u>	<u>17,000</u>	<u>88,865</u>	<u>11,480</u>	<u>209,863</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,058</u>	<u>(2,990)</u>	<u>(1,537)</u>	<u>127</u>	<u>3,658</u>
<i>Net Change in Fund Balances</i>	8,058	(2,990)	(1,537)	127	3,658
<i>Fund Balances Beginning of Year</i>	<u>63,636</u>	<u>20,002</u>	<u>48,521</u>	<u>8,876</u>	<u>141,035</u>
<i>Fund Balances End of Year</i>	<u>\$71,694</u>	<u>\$17,012</u>	<u>\$46,984</u>	<u>\$9,003</u>	<u>\$144,693</u>

See accompanying notes to the basic financial statements

**Union Township
Brown 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>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$19,800	\$24,878	\$23,725	(\$1,153)
Intergovernmental	44,460	76,015	74,594	(1,421)
Interest	1,400	1,400	1,378	(22)
Miscellaneous	337	337	879	542
<i>Total receipts</i>	<u>65,997</u>	<u>102,630</u>	<u>100,576</u>	<u>(2,054)</u>
Disbursements				
Current:				
General Government	43,500	66,646	43,956	22,690
Public Safety	20,500	18,500	17,668	832
Public Works	26,013	40,663	17,082	23,581
Health	12,975	13,812	13,812	-
<i>Total Disbursements</i>	<u>102,988</u>	<u>139,621</u>	<u>92,518</u>	<u>47,103</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(36,991)</u>	<u>(36,991)</u>	<u>8,058</u>	<u>45,049</u>
Other Financing Sources				
Other Financing Sources	122	122	0	(122)
<i>Total Other Financing Sources</i>	<u>122</u>	<u>122</u>	<u>0</u>	<u>(122)</u>
<i>Net Change in Fund Balance</i>	<u>(36,869)</u>	<u>(36,869)</u>	<u>8,058</u>	<u>44,927</u>
<i>Fund Balance Beginning of Year</i>	<u>63,636</u>	<u>63,636</u>	<u>63,636</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$26,767</u></u>	<u><u>\$26,767</u></u>	<u><u>\$71,694</u></u>	<u><u>\$44,927</u></u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 13,425	\$ (1,575)
Interest	600	600	585	(15)
<i>Total receipts</i>	15,600	15,600	14,010	(1,590)
Disbursements				
Current:				
Public Works	22,805	22,805	17,000	5,805
<i>Total Disbursements</i>	22,805	22,805	17,000	5,805
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,205)	(7,205)	(2,990)	4,215
<i>Net Change in Fund Balance</i>	(7,205)	(7,205)	(2,990)	4,215
<i>Fund Balance Beginning of Year</i>	20,002	20,002	20,002	-
<i>Fund Balance End of Year</i>	<u>\$ 12,797</u>	<u>\$ 12,797</u>	<u>\$ 17,012</u>	<u>\$ 4,215</u>

See accompanying notes to the basic financial statements

Union Township
Brown 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>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$65,200	\$65,200	\$86,201	\$21,001
Interest	1,200	1,200	1,127	(73)
<i>Total receipts</i>	<u>66,400</u>	<u>66,400</u>	<u>87,328</u>	<u>20,928</u>
Disbursements				
Current:				
General Government	21,900	21,900	18,668	3,232
Public Works	60,558	60,558	70,197	(9,639)
Capital Outlay	9,000	9,000	0	9,000
<i>Total Disbursements</i>	<u>91,458</u>	<u>91,458</u>	<u>88,865</u>	<u>2,593</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,058)</u>	<u>(25,058)</u>	<u>(1,537)</u>	<u>23,521</u>
<i>Net Change in Fund Balance</i>	<u>(25,058)</u>	<u>(25,058)</u>	<u>(1,537)</u>	<u>23,521</u>
<i>Fund Balance Beginning of Year</i>	<u>48,521</u>	<u>48,521</u>	<u>48,521</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$23,463</u></u>	<u><u>\$23,463</u></u>	<u><u>\$46,984</u></u>	<u><u>\$23,521</u></u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$141,035</u>
<i>Total Assets</i>	<u><u>\$141,035</u></u>
Net Assets	
Restricted for:	
Other Purposes:	
Road Maintenance	\$68,523
Fire Protection	8,876
Unrestricted	<u>63,636</u>
<i>Total Net Assets</i>	<u><u>\$141,035</u></u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Activities - 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, Contributions, and Interest	Governmental Activities
Governmental Activities				
General Government	\$62,166			(\$62,166)
Public Safety	22,243			(22,243)
Public Works	86,076	13,428	77,232	4,584
Health	13,441			(13,441)
Capital Outlay	54,837		30,526	(24,311)
Other	-	1,612	-	1,612
<i>Total Governmental Activities</i>	<u>238,763</u>	<u>15,040</u>	<u>107,758</u>	<u>(115,965)</u>
General Receipts				
Property and other local taxes				30,426
Grants and Entitlements not Restricted to Specific Programs				57,354
Interest				3,326
Miscellaneous				689
<i>Total General Receipts</i>				<u>91,795</u>
Change in Net Assets				<u>(24,170)</u>
<i>Net Assets Beginning of Year</i>				<u>165,205</u>
<i>Net Assets End of Year</i>				<u>\$141,035</u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Motor Vehicle License Tax Fund</u>	<u>Gasoline Tax Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$63,636	\$20,002	\$48,521	\$8,876	\$141,035
<i>Total Assets</i>	<u>\$63,636</u>	<u>\$20,002</u>	<u>\$48,521</u>	<u>\$8,876</u>	<u>\$141,035</u>
Fund Balances					
Unreserved:					
Undesignated , Reported in:					
General Fund	\$63,636				\$63,636
Special Revenue Funds		\$20,002	\$48,521	\$8,876	77,399
<i>Total Fund Balances</i>	<u>\$63,636</u>	<u>\$20,002</u>	<u>\$48,521</u>	<u>\$8,876</u>	<u>\$141,035</u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Motor Vehicle License Tax Fund	Gasoline Tax Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$21,660			\$8,766	\$30,426
Intergovernmental	57,287	\$13,428	\$77,433	32,004	180,152
Interest	1,437	652	1,237		3,326
Miscellaneous	689				689
<i>Total Receipts</i>	<u>81,073</u>	<u>14,080</u>	<u>78,670</u>	<u>40,770</u>	<u>214,593</u>
Disbursements					
Current:					
General Government	43,908		18,258		62,166
Public Safety	15,000			7,243	22,243
Public Works	9,035	14,583	62,458		86,076
Health	13,441				13,441
Capital Outlay	14,311	2,000	8,000	30,526	54,837
<i>Total Disbursements</i>	<u>95,695</u>	<u>16,583</u>	<u>88,716</u>	<u>37,769</u>	<u>238,763</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,622)</u>	<u>(2,503)</u>	<u>(10,046)</u>	<u>3,001</u>	<u>(24,170)</u>
<i>Net Change in Fund Balances</i>	<u>(14,622)</u>	<u>(2,503)</u>	<u>(10,046)</u>	<u>3,001</u>	<u>(24,170)</u>
<i>Fund Balances Beginning of Year</i>	<u>78,258</u>	<u>22,505</u>	<u>58,567</u>	<u>5,875</u>	<u>165,205</u>
<i>Fund Balances End of Year</i>	<u>\$63,636</u>	<u>\$20,002</u>	<u>\$48,521</u>	<u>\$8,876</u>	<u>\$141,035</u>

See accompanying notes to the basic financial statements

Union Township
Brown 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>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Taxes	\$21,060	\$21,060	\$21,660	\$600
Intergovernmental	57,206	57,206	57,287	81
Interest	800	800	1,437	637
Miscellaneous			689	689
<i>Total receipts</i>	<u>79,066</u>	<u>79,066</u>	<u>81,073</u>	<u>2,007</u>
Disbursements				
Current:				
General Government	49,073	49,073	43,908	5,165
Public Safety	17,500	17,500	15,000	2,500
Public Works	22,201	22,201	9,035	13,166
Health	14,335	14,335	13,441	894
Capital Outlay	14,802	14,802	14,311	491
<i>Total Disbursements</i>	<u>117,911</u>	<u>117,911</u>	<u>95,695</u>	<u>22,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,845)</u>	<u>(38,845)</u>	<u>(14,622)</u>	<u>24,223</u>
Other Financing Sources				
Other Financing Sources	<u>122</u>	<u>122</u>	<u>0</u>	<u>(122)</u>
Tota Other Financing Sources	122	122	0	(122)
<i>Net Change in Fund Balance</i>	<u>(38,723)</u>	<u>(38,723)</u>	<u>(14,622)</u>	<u>24,101</u>
<i>Fund Balance Beginning of Year</i>	<u>78,258</u>	<u>78,258</u>	<u>78,258</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$39,535</u></u>	<u><u>\$39,535</u></u>	<u><u>\$63,636</u></u>	<u><u>\$24,101</u></u>

See accompanying notes to the basic financial statements

Union Township
Brown County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Motor Vehicle License Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$17,000	\$17,000	\$13,428	(\$3,572)
Interest	739	739	652	(87)
<i>Total receipts</i>	<u>17,739</u>	<u>17,739</u>	<u>14,080</u>	<u>(3,659)</u>
Disbursements				
Current:				
Public Works	25,520	25,520	14,583	10,937
Capital Outlay	2,500	2,500	2,000	500.00
<i>Total Disbursements</i>	<u>28,020</u>	<u>28,020</u>	<u>16,583</u>	<u>11,437</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,281)</u>	<u>(10,281)</u>	<u>(2,503)</u>	<u>7,778</u>
<i>Net Change in Fund Balance</i>	<u>(10,281)</u>	<u>(10,281)</u>	<u>(2,503)</u>	<u>7,778</u>
<i>Fund Balance Beginning of Year</i>	<u>22,505</u>	<u>22,505</u>	<u>22,505</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$12,224</u></u>	<u><u>\$12,224</u></u>	<u><u>\$20,002</u></u>	<u><u>\$7,778</u></u>

See accompanying notes to the basic financial statements

Union Township
Brown 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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$69,500	\$69,500	\$77,433	\$7,933
Interest	500	500	1,237	737
<i>Total receipts</i>	70,000	70,000	78,670	8,670
Disbursements				
Current:				
General Government	18,500	18,500	18,258	242
Public Works	79,656	79,656	62,458	17,198
Capital Outlay	8,000	8,000	8,000	-
<i>Total Disbursements</i>	106,156	106,156	88,716	17,440
<i>Excess of Receipts Over (Under) Disbursements</i>	(36,156)	(36,156)	(10,046)	26,110
<i>Net Change in Fund Balance</i>	(36,156)	(36,156)	(10,046)	26,110
<i>Fund Balance Beginning of Year</i>	58,567	58,567	58,567	-
<i>Fund Balance End of Year</i>	\$22,411	\$22,411	\$48,521	\$26,110

See accompanying notes to the basic financial statements

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

Union Township, Brown 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 solely of the primary government. The primary government consists of all funds and departments that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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.

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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 or capital 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 cash basis or draws from the Township's general receipts.

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

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. Nonmajor 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 all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Township's major funds:

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

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

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

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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.

As a result of the use of this 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.

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All 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.

All 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 ordinance 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 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 ordinance 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.

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".

During 2006 and 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

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 2006 and 2005 was \$1,378 and \$1,437, respectively.

F. 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.

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

G. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. 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. 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. Restricted net assets represent \$72,999 of a total fund balance of \$144,693 in 2006 and \$77,399 of a total fund balance of \$141,035 in 2005.

Note 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 cash basis of accounting described in Note 2C. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Compliance

- The Township did not always certify funds prior to entering into a contract or expending fund contrary to Ohio Revised Code § 5705.41 (D).
- Contrary to Ohio Revised Code § 5705.41 expenditures exceeded appropriations in the Fire Fund for 2005 in the amount of \$24,317. The Township received a Community Development Block Grant from Brown County in the amount of \$10,526 and \$20,000 from the Village of Ripley for the purchase of a fire tanker truck. The Township did not appropriate monies for the expenditures or record these on behalf grants on their accounting system. As a result of these adjustments, expenditures exceeded appropriations in the amount of \$24,317 in the Fire Fund.

Note 5 – 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 and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end in the General or major Special Revenue Funds.

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 6 – 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;
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).

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 6 – Deposits and Investments (continued)

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.

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 fiscal year end 2006 and 2005 bank balances of \$144,693 and \$141,035, respectively were covered by FDIC and not exposed to any custodial credit risk.

Note 7 – 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. 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 2006 represent the collection of 2005 taxes. Public utility tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility tangible personal property taxes received in 2005 became a lien on December 31, 2004, 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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 October 1, 2004, 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.

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 7 – Property Taxes (continued)

The full tax rate for all Township operations for the year ended December 31, 2006 and 2005, was \$8.50 and \$8.00, respectively per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

Real Property	<u>2006</u>	<u>2005</u>
Residential	\$12,543,980	\$11,397,630
Agriculture	6,856,840	6,176,220
Commercial/Industrial/Mineral	2,367,380	2,424,500
Public Utility Property		
Personal	1,365,190	1,3682,050
Tangible Personal Property	102,090	121,639
Total Assessed Value	<u>\$23,235,480</u>	<u>\$21,502,039</u>

Note 8 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006 and 2005 the Township contracted with Peerless Insurance Company, Indiana Insurance Company, Midwestern Indemnity Company and Westfield Companies to provide property, liability, inland marine, automobile and wrongful acts coverage. Coverage provided as of December 31, 2006 is as follows:

Property – Indiana Insurance	\$33,850	Per Occurrence / Aggregate
General Liability – Westfield Co.	\$1,500,000	Per Occurrence/Aggregate
Automobile – Indiana Insurance	\$525,000	Per Occurrence
Equipment – Indiana Insurance	\$61,000	Each Loss / Aggregate
Employers Liability – Westfield Co.	\$100,000/\$300,000	Each Loss/Aggregate
UAN Computer	\$2,000	Each Loss

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

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 9 – 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, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent, respectively, of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 9.2 percent and for 2005 was 9.55 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, 2006, 2005, and 2004 were \$4,702, \$4,569, and \$4,430, respectively. The full amount has been contributed for 2006, 2005, and 2004.

Note 10 - Postemployment 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 primary survivor 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 13.70 percent of covered payroll; 4.2 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Union Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005
(Continued)

Note 10 - Postemployment Benefits (Continued)

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, 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 premiums were assumed to increase between 0.50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. 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 postemployment benefits were \$5,006. 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.

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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
Brown County
West Henry Road
Ripley, Ohio 45167

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, Brown County, Ohio (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 November 21, 2007, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.01 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.

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.

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

We noted certain matters that we reported to the Township's management in a separate letter dated November 21, 2007.

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 2006-001 and 2006-002.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 21, 2007.

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



Mary Taylor, CPA
Auditor of State

November 21, 2007

UNION TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Contrary to the above requirement, the availability of funds was not certified for 31% in 2006 and 13% in 2005 of the expenditures tested. We recommend expenditures receive prior certification, however in instances where this is not practical we recommend then and now certificates over \$3,000 be approved by resolution by legislative authority. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

**FINDING NUMBER 2006-001
(Continued)**

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

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements.

The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

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

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Revised Code, § 5705.41, states that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in Chapter 5705. Union Township received a Community Development Block Grant from Brown County in the amount of \$10,526 and \$20,000 from the Village of Ripley for the purchase of a fire tanker truck. The Township did not appropriate monies for the expenditures or record them in the Township's accounting system. These on behalf payments have been recorded on the financial statements. As a result of these adjustments, expenditures exceeded appropriations in the amount of \$24,317 in the fire fund. The Township should record all on behalf payments in the Township's accounting system and the Township should review Auditor of State Bulletin 2000-008 for accounting for cash basis local governments' participation in on-behalf of grants or improvement projects. In addition, the Township should appropriate monies for these expenditures.

Officials' Response:

We did not receive a response from Officials to this finding

**UNION TOWNSHIP
BROWN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code 5705.41(D), invoice dates preceding purchase order date.	No	See Finding 2006-001.



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2008**