



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union Township
Tuscarawas County
P.O. Box 202
Dennison, Ohio 44621

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, Tuscarawas County, Ohio, (the Township) as of and for the year ended December 31, 2006, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As 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, Tuscarawas County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax, Road and Bridge, Fire and Ambulance Levy and FEMA Funds thereof for the year ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 5, 2008

Union Township, Tuscarawas 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 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 decreased \$21,874, or 17 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the FEMA Fund.

The Township's general receipts are primarily property and other local taxes and grants and entitlements. These receipts represent respectively 29 and 26 percent 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 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.

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 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 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 extent of the Township's debt obligations, 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, all of the Township's services are reported as governmental activities. The Township does not have any business type activities.

Governmental activities. All of the Township's basic services are reported here, including police, fire, streets and parks. 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 all in one category: governmental. The Township does not have any proprietary or fiduciary funds.

Governmental Funds – All 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 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 are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire and Ambulance Levy Fund, and the FEMA 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, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Township as a Whole

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

(Table 1)

Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Cash and Cash Equivalents	\$109,095	\$130,969
Net Assets		
Restricted for:		
Other Purposes	67,674	113,346
Unrestricted	<u>41,421</u>	<u>17,623</u>
Total Net Assets	<u><u>\$109,095</u></u>	<u><u>\$130,969</u></u>

As mentioned previously, net assets of governmental activities decreased \$21,874 or 17 percent during 2006. The primary fund contributing to the decrease in cash balance is the FEMA Fund. The remaining monies were spent from the FEMA Fund during 2006 to close the project.

Union Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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

(Table 2)
Changes in Net Assets

	Governmental		Total Change
	Activities		
	2006	2005	
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$1,125	\$1,725	(\$600)
Operating Grants and Contributions	94,573	87,591	6,982
Capital Grants and Contributions	11,011	69,637	(58,626)
Total Program Receipts	<u>106,709</u>	<u>158,953</u>	<u>(52,244)</u>
General Receipts:			
Property and Other Local Taxes	80,571	73,007	7,564
Grants and Entitlements Not Restricted to Specific Programs	73,098	51,272	21,826
Earnings on Investments	959	431	528
Miscellaneous	19,436	420	19,016
Total General Receipts	<u>174,064</u>	<u>125,130</u>	<u>48,934</u>
Total Receipts	<u>280,773</u>	<u>284,083</u>	<u>(3,310)</u>
Disbursements:			
General Government	86,278	74,669	11,609
Public Safety	21,562	21,185	377
Public Works	190,641	153,445	37,196
Health	820	1,215	(395)
Capital Outlay	118	10,363	(10,245)
Principal Retirement	3,228	3,103	125
Total Disbursements	<u>302,647</u>	<u>263,980</u>	<u>38,667</u>
Increase (Decrease) in Net Assets	(21,874)	20,103	(41,977)
Net Assets, January 1	<u>130,969</u>	<u>110,866</u>	<u>20,103</u>
Net Assets, December 31	<u>\$109,095</u>	<u>\$130,969</u>	<u>(\$21,874)</u>

Program receipts represent 38 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and FEMA receipts.

General receipts represent 62 percent of the Township's total receipts, and of this amount, over 46 percent are local taxes. State and federal grants and entitlements make up an additional 42 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Union Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 board of trustees, as well as internal services such as payroll and purchasing. These costs do not represent direct services to residents.

Public Works were the primary disbursements. These disbursements include the costs of constructing, maintaining, and repairing Township roads and bridges.

Governmental Activities

If you look at the Statement of Activities on page 10, 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 63 percent of all governmental disbursements. General government also represents a significant cost, about 29 percent. The next three 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	\$86,278	(\$86,278)	\$74,669	(\$74,669)
Public Safety	\$21,562	(\$21,562)	\$21,185	(\$21,185)
Public Works	190,641	(85,057)	153,445	(65,854)
Health	820	305	1,215	510
Capital Outlay	118	(118)	10,363	59,274
Principal Retirement	3,228	(3,228)	3,103	(3,103)
Total Expenses	\$302,647	(\$195,938)	\$263,980	(\$105,027)

The dependence upon property tax receipts is apparent as over 26 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$280,773 and disbursements of \$302,647. The greatest change within governmental funds occurred within the FEMA Fund. The remaining monies were spent from the FEMA Fund during 2006 to close the project. The following major funds also had significant changes during 2006: General Fund, Gasoline Tax Fund, Road and Bridge Fund, and the Fire and Ambulance Levy Fund. Receipts exceeded expenditures resulting in an increase in fund balances within the General Fund and Gasoline Tax Fund. Expenditures exceeded receipts resulting in a decrease in fund balance within the Road and Bridge Fund and Fire and Ambulance Levy Fund.

Union Township, Tuscarawas County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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. The budget amounts for Intergovernmental and Miscellaneous receipts were increased to reflect unexpected revenue for estate tax and road damage reimbursements, respectively. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$93,319 while actual disbursements were \$103,223. However, final disbursements were less than actual receipts by \$23,798. The result is the increase in fund balance of \$23,798 for 2006. Public Works disbursements were not budgeted as they were for unexpected road damage.

Debt Administration

At December 31, 2006, the Township's outstanding debt included \$2,882 issued for the purchase of a snow plow and salt spreader. For further information regarding the Township's debt, refer to the note 10 to the basic financial statements.

Current Issues

The challenge for all Governments 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.

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 Lona Recchiuti, Fiscal Officer, Union Township, P.O. Box 202, Dennison, Ohio 44621.

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

*Statement of Net Assets - Cash Basis
December 31, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$109,095</u></u>
Net Assets	
Restricted for:	
Other Purposes	\$67,674
Unrestricted	41,421
<i>Total Net Assets</i>	<u><u>\$109,095</u></u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS 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	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$86,278				(\$86,278)
Public Safety	21,562				(21,562)
Public Works	190,641		\$94,573	\$11,011	(85,057)
Health	820	\$1,125			305
Capital Outlay	118				(118)
Debt Service:					
Principal Retirement	3,228				(3,228)
<i>Total Governmental Activities</i>	<u>\$302,647</u>	<u>\$1,125</u>	<u>\$94,573</u>	<u>\$11,011</u>	<u>(195,938)</u>
General Receipts					
Property and Other Local Taxes					80,571
Grants and Entitlements not Restricted to Specific Programs					73,098
Earnings on Investments					959
Miscellaneous					19,436
<i>Total General Receipts</i>					<u>174,064</u>
Change in Net Assets					(21,874)
<i>Net Assets Beginning of Year</i>					<u>130,969</u>
<i>Net Assets End of Year</i>					<u>\$109,095</u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE AND AMBULANCE LEVY	FEMA	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets							
Equity in Pooled Cash and Cash Equivalents	\$41,421	\$29,114	\$2,965	\$27,941	\$0	\$7,654	\$109,095
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	41,421						41,421
Special Revenue Funds		29,114	2,965	27,941	0	7,654	67,674
<i>Total Fund Balances</i>	<u>\$41,421</u>	<u>\$29,114</u>	<u>\$2,965</u>	<u>\$27,941</u>	<u>\$0</u>	<u>\$7,654</u>	<u>109,095</u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

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

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE AND AMBULANCE LEVY	FEMA	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$41,949		\$27,180	\$11,442			\$80,571
Licenses, Permits and Fees						\$825	825
Intergovernmental	69,752	\$84,383	10,237	2,317		11,993	178,682
Earnings on Investments	508	374				77	959
Miscellaneous	14,812		4,624			300	19,736
Total Receipts	127,021	84,757	42,041	13,759		13,195	280,773
Disbursements							
Current:							
General Government	86,278						86,278
Public Safety				21,562			21,562
Public Works	14,691	79,824	49,602		\$38,881	7,643	190,641
Health	820						820
Capital Outlay	118						118
Debt Service:							
Principal Retirement	1,316					1,912	3,228
Total Disbursements	103,223	79,824	49,602	21,562	38,881	9,555	302,647
Net Change in Fund Balances	23,798	4,933	(7,561)	(7,803)	(38,881)	3,640	(21,874)
Fund Balances Beginning of Year	17,623	24,181	10,526	35,744	38,881	4,014	130,969
Fund Balances End of Year	<u>\$41,421</u>	<u>\$29,114</u>	<u>\$2,965</u>	<u>\$27,941</u>	<u>\$0</u>	<u>\$7,654</u>	<u>\$109,095</u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$41,000	\$41,000	\$41,949	\$949
Intergovernmental	47,386	69,681	69,752	71
Earnings on Investments	250	250	508	258
Miscellaneous	60	14,751	14,812	61
<i>Total Receipts</i>	88,696	125,682	127,021	1,339
Disbursements				
Current:				
General Government	92,519	93,319	86,278	7,041
Public Safety	800			-
Public Works			14,691	(14,691)
Health			820	(820)
Capital Outlay	118		118	(118)
Debt Service:				
Principal Retirement	1,316		1,316	(1,316)
<i>Total Disbursements</i>	94,753	93,319	103,223	(9,904)
<i>Net Change in Fund Balance</i>	(6,057)	32,363	23,798	(8,565)
<i>Fund Balance Beginning of Year</i>	17,623	17,623	17,623	0
<i>Fund Balance End of Year</i>	\$11,566	\$49,986	\$41,421	(\$8,565)

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS 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*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$55,000	\$56,303	\$84,383	\$28,080
Earnings on Investments	100	100	374	274
<i>Total Receipts</i>	<u>55,100</u>	<u>56,403</u>	<u>84,757</u>	<u>28,354</u>
Disbursements				
Current:				
Public Works	79,281	79,281	79,824	(543)
<i>Net Change in Fund Balance</i>	(24,181)	(22,878)	4,933	27,811
<i>Fund Balance Beginning of Year</i>	<u>24,181</u>	<u>24,181</u>	<u>24,181</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$1,303</u>	<u>\$29,114</u>	<u>\$27,811</u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS 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, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$26,700	\$26,700	\$27,180	\$480
Intergovernmental		9,208	10,237	1,029
Miscellaneous		4,400	4,624	224
<i>Total Receipts</i>	<u>26,700</u>	<u>40,308</u>	<u>42,041</u>	<u>1,733</u>
Disbursements				
Current:				
Public Works	<u>37,226</u>	<u>37,226</u>	<u>49,602</u>	<u>(12,376)</u>
<i>Net Change in Fund Balance</i>	(10,526)	3,082	(7,561)	(10,643)
<i>Fund Balance Beginning of Year</i>	<u>10,526</u>	<u>10,526</u>	<u>10,526</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$13,608</u>	<u>\$2,965</u>	<u>(\$10,643)</u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
Fire and Ambulance Levy 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	\$9,300	\$9,300	\$11,442	\$2,142
Intergovernmental			2,317	2,317
<i>Total Receipts</i>	<u>9,300</u>	<u>9,300</u>	<u>13,759</u>	<u>4,459</u>
Disbursements				
Current:				
Public Safety	45,044	45,044	21,562	23,482
<i>Net Change in Fund Balance</i>	(35,744)	(35,744)	(7,803)	27,941
<i>Fund Balance Beginning of Year</i>	<u>35,744</u>	<u>35,744</u>	<u>35,744</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$27,941</u>	<u>\$27,941</u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

*Statement of Receipts, Disbursements and
Changes in Fund Balance - Budget and Actual -Budget Basis
FEMA 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		\$4,780		(\$4,780)
<i>Total Receipts</i>	-	4,780	-	(4,780)
Disbursements				
Current:				
Public Works	\$38,881	38,881	\$38,881	-
<i>Net Change in Fund Balance</i>	(38,881)	(34,101)	(38,881)	(4,780)
<i>Fund Balance Beginning of Year</i>	38,881	38,881	38,881	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$4,780</u>	<u>\$0</u>	<u>(\$4,780)</u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

Union Township, Tuscarawas 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 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 bridges, and cemetery maintenance. The Township contracts with the City of Uhrichsville and the Sherrodsville Volunteer Fire Department for fire protection. Police protection is provided by the Tuscarawas County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Union Township has no component units.

C. Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA)

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.

Note 2 – Summary of Significant Accounting Policies (Continued)

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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. All activities of the Township are governmental activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash balances 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. 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.

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. All of the Township's funds are categorized as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are: the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Fire and Ambulance Levy Fund, and the FEMA Fund. 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 Gasoline Tax Fund and the Road and Bridge Funds receive gasoline tax money and property tax money, respectively, to pay for constructing, maintaining and repairing Township roads and bridges. The Fire and Ambulance Levy Fund receives property tax money to provide emergency fire and medical services to residents of the Township. The FEMA Fund was used to account for federal grant monies to be used on an emergency project.

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

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The Township's financial statements are prepared using the 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 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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The alternative 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 certificate 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

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".

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 was \$508.

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township does not have any restricted cash assets.

Note 2 – Summary of Significant Accounting Policies (continued)

G. 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.

H. 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.

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

K. 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 healthcare benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. 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 maintaining and repairing Township roads and emergency fire and rescue services. 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.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. No fund balance reserves have established as of December 31, 2006.

Note 2 – Summary of Significant Accounting Policies (continued)

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Compliance

Contrary to the Ohio Rev. Code Section 5705.40, the Board of Trustees granted permission for the Fiscal Officer to transfer appropriations without Board approval.

Contrary to the Ohio Rev. Code Section 5705.41(B), certain expenditures exceeded appropriations at the legal level of control.

Contrary to the Ohio Rev. Code Section 5705.41(D), certain expenditures tested were not certified as to the availability of funds by the Township Fiscal Officer prior to incurring the obligations.

Note 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 and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is 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 (budgetary basis) in the general fund or any major special revenue fund.

Note 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.

Note 5 - Deposits and Investments (continued)

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).

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 year end, \$10,931 of the Township's bank balance of \$110,931 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities specifically pledged by the financial institution to the Township.

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.

Union Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 - Deposits and Investments (continued)

Investments

As of December 31, 2006, the Township had no investments.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Property tax receipts received in 2006 for real and public utility property taxes represents collections of the 2005 taxes. Property tax payments received during 2006 for tangible personal property (other than public utility property) is for 2006 taxes.

2006 real property taxes are levied after October 1, 2006 on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

Real property taxes are payable annually or semi-annually. 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 tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2006 public utility property taxes which became a lien on December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible property taxes are levied after October 1, 2005, on the value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$4.00 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$19,409,150
Public Utility Property	2,004,720
Tangible Personal Property	1,420,946
Total Assessed Values	<u>\$22,834,816</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 7 – Risk Management

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

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.

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 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 township.

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

Union Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 7 – Risk Management (continued)

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	<u>(11,443,952)</u>	<u>(12,344,576)</u>
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	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

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 \$14,000. 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 charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$7,003
2005	\$6,943
2004	\$6,264

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.

Note 8 – Defined Benefit Pension Plan

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 year ended December 31, 2006, all employees were required to contribute 9% of their annual covered salaries/wages. The Township's pension contributions were 13.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for the years ended December 31, 2006, 2005, and 2004 were \$9,361, \$6,452 and \$8,004, respectively; the full amount has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

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.

Union Township, Tuscarawas County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 9 – Postemployment Benefits (continued)

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 \$3,075. 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.

Note 10 – Debt

The Township's debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Demand Notes -						
Snow Plow and Salt Spreader (2003 Issue)	4.00%	\$5,764	\$0	\$2,882	\$2,882	\$2,882

During 2003, the Township entered into 5 separate demand note agreements with a local financial institution for the purpose of purchasing a snow plow and salt spreader for use by the Township.

The following is a summary of the Township's future annual debt service requirements:

Year	Snow Plow and Salt Spreader	
	Principal	Interest
2007	\$2,882	\$441

Note 11 – Other Matters

The Township Fiscal Officer is employed at the financial institution where the Township holds their deposits and demand note agreements.

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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
Tuscarawas County
P.O. Box 202
Dennison, Ohio 44621

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, Tuscarawas County, Ohio, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 5, 2008, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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 opinion 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.

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.

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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 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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-003 is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 2006-003 through 2006-005.

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



Mary Taylor, CPA
Auditor of State

September 5, 2008

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Significant Deficiency

Payroll

During 2006, the following weaknesses were noted during payroll expenditure testing:

- The Road Foreman and Casual Road Workers were compensated for hours worked without providing time sheets.
- Numerous irregularities existed between pay periods, regular hours worked and pay dates for the Road Foreman. For example, regular hours during a pay period ranged from 56 to 120. In addition, pay dates preceded the end of the pay periods. For example, pay period February 11, 2006 through February 28, 2006 had a warrant date of February 16, 2006. As a result, there is an increased risk that the Township could compensate employees for services not rendered.
- The Township employed relatives of the Road Foreman as Casual Road Workers. The Township has not adopted a formal policy addressing the hiring of family members. In addition, the Casual Road Workers were not specifically approved to work for the Township by the Board of Trustees as evidenced within the minutes. As a result, there is an increased risk of unauthorized employment of individuals with potential conflicts of interest.

For each instance noted above, the employee's payroll check was properly authorized; however, there is an increased risk that Township employees could be improperly compensated.

We recommend the following:

- The Township should implement a comprehensive set of payroll policies and procedures. These policies should establish defined regular pay periods and pay dates. In addition, these policies should require all employees to complete and submit time sheets as verification of hours worked. Similarly, policies should be provided for supervisory review and approval of time sheets prior to compensation.
- The Board of Trustees should adopt a formal policy addressing the hiring of family members. In addition, the Board of Trustees should specifically approve all employees of the Township as evidenced within the minutes.

The Township should also refer to the Ohio Township Handbook for guidelines applicable to Township Officers and Employees. This may help ensure that only authorized individuals are employed by the Township and prevent Township officials and employees from being improperly compensated.

FINDING NUMBER 2006-002

Significant Deficiency

Classification of Receipts and Expenditures

During 2006, the following misclassifications and errors were noted:

- Certain receipts (kilowatt distributions) in the amount of \$1,506 in the General Fund, \$1,004 in the Road and Bridge Fund, and \$2,309 in the Special Levy Fund received from the County Auditor were originally classified as Taxes rather than Intergovernmental.
- Interest payments on debt in the amount of \$346 in the General Fund were originally classified as Debt Principal expenditures rather than Interest expenditures.
- Certain FEMA activity in the amount of \$4,780 was booked twice as Intergovernmental receipts and Public Works expenditures in the FEMA Fund.

As a result, the above receipt and expenditure line items were initially overstated/understated. The financial statements have been adjusted for material items.

The Township Fiscal Officer and the Board of Trustees should regularly monitor the classification of all receipts and expenditures to help ensure Township receipts and expenditures are accurately recorded in accordance with the Ohio Township Handbook.

FINDING NUMBER 2006-003

Material Weakness and Noncompliance Citation

Ohio Rev. Code Section 5705.40 provides that any appropriation measure may be amended or supplemented provided that such amendment or supplement complies with all provisions of law governing the tax authority in making the original appropriation. Transfers may be made by resolution or ordinance from one appropriation item to another. *Burkholder v. Lauber* (1965), 6 Ohio Misc. 152, indicates that a local government's governing board is prohibited from delegating those discretionary duties statutorily assigned to it. Following such reasoning, a governing board is prohibited from delegating the ability to amend appropriations as provided for in Ohio Rev. Code Section 5705.40.

During 2006, the Board of Trustees granted permission for the Fiscal Officer to transfer appropriations without Board approval. The financial statements have been adjusted to exclude appropriation amendments not specifically approved by the Board at the legal level of control by amounts ranging from \$490 to \$22,296 within the following major funds: General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Miscellaneous Special Revenue Fund. The Board of Trustees should specifically approve all amendments to appropriations at the legal level of control. Ohio Rev. Code Section 5705.38(C) requires the minimum level of budgetary control for townships so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.

FINDING NUMBER 2006-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

As of December 31, 2006, expenditures exceeded appropriations at the legal level of control by amounts ranging from \$490 to \$14,691 within the following opinion units: General Fund, Gasoline Tax Fund, Road and Bridge Fund, Miscellaneous Special Revenue Fund, and Other Governmental Funds. The Township Fiscal Officer and Board of Trustees should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of control to avoid overspending.

FINDING NUMBER 2006-005

Noncompliance Citation

Ohio Rev. Code Section 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.

FINDING NUMBER 2006-005 (Continued)

3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal year 2006, 35% of expenditures tested were not certified as to the availability of funds by the Township Fiscal Officer prior to incurring the obligations. The Township Fiscal Officer should inform the Board of Trustees the requirements of Ohio Rev. Code Section 5705.41(D). The Township should implement the use of so called Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which arise from time to time.

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

We recommend the Township certify purchases to which section 5705.41(D) applies. 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 commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**UNION TOWNSHIP
TUSCARAWAS COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D) – During fiscal year 2005, 100% of expenditures tested were not certified as to the availability of funds by the Township Clerk prior to incurring the obligations.	No	Not Corrected – Refer to Finding Number 2006-005



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

TUSCARAWAS 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
OCTOBER 14, 2008**