



Mary Taylor, CPA
Auditor of State

**UNION TOWNSHIP
AUGLAIZE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Year Ended December 31, 2007	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis - December 31, 2007	9
Statement of Activities – Cash Basis - For the Year Ended December 31, 2007	10
Statement of Cash Basis Assets and Fund Balances - Governmental Funds December 31, 2007	11
Fund Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2007	12
Statement of Receipts, Disbursement and Change in Fund Balance Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2007	13
Statement of Receipts, Disbursement and Change in Fund Balance Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2007	14
Statement of Receipts, Disbursement and Change in Fund Balance Budget and Actual – Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2007	15
Statement of Receipts, Disbursement and Change in Fund Balance Budget and Actual – Budget Basis – Fire District Fund For the Year Ended December 31, 2007	16
Notes to the Financial Statements – For the Year Ended December 31, 2007.....	17
Management's Discussion and Analysis – For the Year Ended December 31, 2006	29
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis - December 31, 2006	35
Statement of Activities – Cash Basis - For the Year Ended December 31, 2006	36
Statement of Cash Basis Assets and Fund Balances - Governmental Funds December 31, 2006	37

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Fund Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds - For the Year Ended December 31, 2006.....	38
Statement of Receipts, Disbursement and Change in Fund Balance Budget and Actual – Budget Basis – General Fund - For the Year Ended December 31, 2006.....	39
Statement of Receipts, Disbursement and Change in Fund Balance Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2006.....	40
Statement of Receipts, Disbursement and Change in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund For the Year Ended December 31, 2006.....	41
Statement of Receipts, Disbursement and Change in Fund Balance – Budget and Actual – Budget Basis – Fire District Fund For the Year Ended December 31, 2006.....	42
Notes to the Financial Statements – For the Year Ended December 31, 2006.....	43
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	61



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Auglaize County, (the Township), as of and for the years ended December 31, 2007 and 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 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, Auglaize County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund thereof for the years then 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 16, 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 16, 2008

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)**

This discussion and analysis of Union Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis of 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 2007 are as follows:

- Net assets of governmental activities increased \$1,791 or 0.8%, from the prior year.
- The Township's general receipts are primarily property taxes. These receipts represent 37% of the total receipts during the year. Property tax receipts for 2007 increased approximately 9% compared to 2006.
- The Township paid off their loan with Fifth Third Bank in 2007.
- In 2007 the Township purchased, through the state cooperative, a truck which was paid for with Gasoline Tax and Motor Vehicle License Tax monies. The equipment for the truck will be paid for in 2008.

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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of cash basis of 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 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 non financial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

Governmental Activities – All of the Township's basic services are reported here, including fire and streets. 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 reported as governmental funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

**(Table 1)
Net Assets**

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$215,085	\$213,294
Total Assets	<u>215,085</u>	<u>213,294</u>
Net Assets		
Restricted for:		
Other Purposes	163,228	144,295
Unrestricted	51,857	68,999
Total Net Assets	<u>\$215,085</u>	<u>\$213,294</u>

As mentioned previously, net assets increased \$1,791 or 0.8 percent during 2007.

Table 2 reflects the changes in net assets on a cash basis in 2007 and 2006 for governmental activities.

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

	Governmental Activities 2007	Governmental Activities 2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$11,746	\$10,908
Operating Grants and Contributions	106,992	93,504
Capital Grants and Contributions		58,200
Total Program Receipts	<u>118,738</u>	<u>162,612</u>
General Receipts:		
Property and Other Local Taxes	137,433	125,316
Grants and Entitlements Not Restricted to Specific Programs	48,896	101,912
Sale of Fixed Assets	55,000	
Interest	726	598
Miscellaneous	6,221	4,251
Total General Receipts	<u>248,276</u>	<u>232,077</u>
Total Receipts	<u>367,014</u>	<u>394,689</u>

(Continued)

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

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

	Governmental Activities 2007	Governmental Activities 2006
Disbursements:		
General Government	85,684	79,250
Public Safety	65,846	64,458
Public Works	106,488	70,512
Health	3,905	3,050
Capital Outlay	78,616	58,200
Debt Service:		
Principal	24,000	24,000
Interest	684	1,611
Total Disbursements	365,223	301,081
Increase (Decrease) in Net Assets	1,791	93,608
Net Assets, January 1, 2007	213,294	119,686
Net Assets, December 31, 2007	\$215,085	\$213,294

Program receipts represent only 32 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and building permits.

General receipts represent 68 percent of the Township's total receipts, and of this amount, approximately 37 percent of the Township's total receipts are local taxes. State and federal grants and entitlements, sale of fixed assets, interest and miscellaneous revenues make up the balance of the Township's general receipts and represent 30 percent of the total receipts.

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 payroll costs of the Trustees and Fiscal Officer. Since these costs do not represent direct services to residents, the Township tries to limit these costs.

Public Safety is the costs of fire protection; Public Works are the cost of repairing and maintaining township roads; and Capital Outlay are primarily the costs associated with the purchase of a truck.

Governmental Activities

If you look at the Statement of Activities – Cash Basis, 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, General Government, Capital Outlay, and Public Safety, which account for 29, 24, 22 and 18 percent of all governmental disbursements, respectively. The next two columns 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 primarily paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

(Table 3)

Governmental Activities				
	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$85,684	\$82,284	\$79,250	\$76,100
Public Safety	65,846	65,846	64,458	64,458
Public Works	106,488	(504)	70,512	(81,192)
Health	3,905	3,905	3,050	3,050
Other		(8,346)		(7,758)
Capital Outlay	78,616	78,616	58,200	58,200
Principal	24,000	24,000	24,000	24,000
Interest	684	684	1,611	1,611
Total Expenses	<u>\$365,223</u>	<u>\$246,485</u>	<u>\$301,081</u>	<u>\$138,469</u>

The dependence upon property and other local taxes is apparent as approximately 68 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$367,014 and disbursements of \$365,223. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$17,142 as the result of increased costs and not achieving anticipated growth in property tax receipts.

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 2007, the Township did not amend its General Fund budget. The difference between budgeted receipts and actual receipts was (\$383).

Disbursements of the General Fund were budgeted at \$149,309 while actual disbursements were \$91,977. Although receipts failed to live up to expectations, appropriations were not reduced. The Township had a difference between appropriations and actual disbursements of \$57,332. The result is the decrease in fund balance of \$17,142 for 2007.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2007, the Township had no outstanding debt.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
(UNAUDITED)
(Continued)**

Current Issues

The challenge for all governments including Township's is to provide quality services to the public while staying within the imposed restrictions imposed by limited, and in some cases, shrinking funding. The Township relies heavily on local taxes and has very little industry to support the tax base. The Township reviewed our sources of revenue and determined that major increases were unlikely.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary J. Ruppert, Fiscal Officer, Union Township, 15054 State Route 65, Wapakoneta, Ohio 45895.

UNION TOWNSHIP
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$215,085</u>
Total Assets	<u><u>215,085</u></u>
Net Assets	
Restricted for:	
Other Purposes	163,228
Unrestricted	<u>51,857</u>
Total Net Assets	<u><u>\$215,085</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007**

		<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
	<u>Disbursements</u>	<u>and Sales</u>	<u>Total</u>
Governmental Activities			
General Government	\$85,684	\$3,400	(\$82,284)
Public Safety	65,846		(65,846)
Public Works	106,488		504
Health	3,905		(3,905)
Other		8,346	8,346
Capital Outlay	78,616		(78,616)
Debt Service:			
Principal	24,000		(24,000)
Interest	684		(684)
	<hr/>	<hr/>	<hr/>
Total Governmental Activities	<u>\$365,223</u>	<u>\$11,746</u>	<u>\$106,992</u>
General Receipts			
Property Taxes			137,433
Grants and Entitlements not Restricted to Specific Programs			48,896
Earnings on Investments			726
Sale of Capital Assets			55,000
Miscellaneous			6,221
			<hr/>
Total General Receipts			248,276
			<hr/>
Change in Net Assets			1,791
			<hr/>
Net Assets Beginning of Year			213,294
			<hr/>
Net Assets End of Year			<u>\$215,085</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$51,857	\$72,438	\$56,582	\$10,630	\$23,578	\$215,085
Total Assets	<u>51,857</u>	<u>72,438</u>	<u>56,582</u>	<u>10,630</u>	<u>23,578</u>	<u>215,085</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	51,857					51,857
Special Revenue Funds		72,438	56,582	10,630	23,578	163,228
Total Fund Balances	<u>\$51,857</u>	<u>\$72,438</u>	<u>\$56,582</u>	<u>\$10,630</u>	<u>\$23,578</u>	<u>\$215,085</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts						
Property and Other Local Taxes	\$29,147		\$52,011	\$56,275		\$137,433
Charges for Services					\$8,346	8,346
Licenses, Permits and Fees	3,400					3,400
Intergovernmental	36,095	\$71,651	3,080	3,137	\$41,925	155,888
Earnings on Investments	388	244			94	726
Miscellaneous	5,805	416				6,221
Total Receipts	<u>74,835</u>	<u>72,311</u>	<u>55,091</u>	<u>59,412</u>	<u>50,365</u>	<u>312,014</u>
Disbursements						
Current:						
General Government	84,676			1,008		85,684
Public Safety				57,500	8,346	65,846
Public Works		66,356	25,505		14,627	106,488
Health	3,905					3,905
Capital Outlay	3,396	66,307	3,000		5,913	78,616
Debt Service:						
Principal Retirement					24,000	24,000
Interest and Fiscal Charges					684	684
Total Disbursements	<u>91,977</u>	<u>132,663</u>	<u>28,505</u>	<u>58,508</u>	<u>53,570</u>	<u>365,223</u>
Excess of Receipts Over (Under) Disbursements	(17,142)	(60,352)	26,586	904	(3,205)	(53,209)
Sale of Capital Assets		55,000				55,000
Net Change in Fund Balances	(17,142)	(5,352)	26,586	904	(3,205)	1,791
Fund Balances Beginning of Year	68,999	77,790	29,996	9,726	26,783	213,294
Fund Balances End of Year	<u>\$51,857</u>	<u>\$72,438</u>	<u>\$56,582</u>	<u>\$10,630</u>	<u>\$23,578</u>	<u>\$215,085</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$27,500	\$27,500	\$29,147	\$1,647
Licenses, Permits and Fees	5,000	5,000	3,400	(1,600)
Intergovernmental	36,000	36,000	36,095	95
Earnings on Investments	300	300	388	88
Miscellaneous	50	50	5,805	5,755
Total Receipts	<u>68,850</u>	<u>68,850</u>	<u>74,835</u>	<u>5,985</u>
Disbursements				
Current:				
General Government	118,460	118,460	84,676	33,784
Public Works	7,349	7,349		7,349
Health	5,500	5,500	3,905	1,595
Capital Outlay	18,000	18,000	3,396	14,604
Total Disbursements	<u>149,309</u>	<u>149,309</u>	<u>91,977</u>	<u>57,332</u>
Excess of Receipts Over (Under) Disbursements	(80,459)	(80,459)	(17,142)	63,317
Other Financing Sources				
Other Financing Sources	<u>6,368</u>	<u>6,368</u>		<u>(6,368)</u>
Net Change in Fund Balance	(74,091)	(74,091)	(17,142)	56,949
Fund Balance Beginning of Year	68,967	68,967	68,967	
Prior Year Encumbrances Appropriated	<u>32</u>	<u>32</u>	<u>32</u>	
Fund Balance End of Year	<u>(5,092)</u>	<u>(5,092)</u>	<u>51,857</u>	<u>\$56,949</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$58,800	\$58,800	\$71,651	\$12,851
Earnings on Investments	17	200	244	44
Miscellaneous	1,000	1,000	416	(584)
Total Receipts	<u>59,817</u>	<u>60,000</u>	<u>72,311</u>	<u>12,311</u>
Disbursements				
Current:				
Public Works	142,417	142,417	66,356	76,061
Capital Outlay			<u>66,307</u>	<u>(66,307)</u>
Total Disbursements	<u>142,417</u>	<u>142,417</u>	<u>132,663</u>	<u>9,754</u>
Excess of Receipts Over (Under) Disbursements	(82,600)	(82,417)	(60,352)	22,065
Other Financing Sources				
Sale of Fixed Assets			<u>55,000</u>	<u>55,000</u>
Total Other Financing Sources			<u>55,000</u>	<u>55,000</u>
Net Change in Fund Balance	(82,600)	(82,417)	(5,352)	77,065
Fund Balance Beginning of Year	77,780	77,780	77,780	
Prior Year Encumbrances Appropriated	<u>10</u>	<u>10</u>	<u>10</u>	
Fund Balance End of Year	<u>(\$4,810)</u>	<u>(\$4,627)</u>	<u>\$72,438</u>	<u>\$77,065</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$49,000	\$49,000	\$52,011	\$3,011
Intergovernmental	3,323	3,323	3,080	(243)
Total Receipts	<u>52,323</u>	<u>52,323</u>	55,091	2,768
Disbursements				
Current:				
General Government				
Public Works	74,818	74,818	25,505	49,313
Capital Outlay	1,668	1,668	3,000	(1,332)
Total Disbursements	<u>76,486</u>	<u>76,486</u>	28,505	47,981
Excess of Receipts Over (Under) Disbursements	(24,163)	(24,163)	26,586	50,749
Other Financing Sources				
Other Financing Sources	1,000	1,000		(1,000)
Total Other Financing Sources	<u>1,000</u>	<u>1,000</u>		(1,000)
Net Change in Fund Balance	(23,163)	(23,163)	26,586	49,749
Fund Balance Beginning of Year	29,986	29,986	29,986	
Prior Year Encumbrances Appropriated	<u>10</u>	<u>10</u>	<u>10</u>	
Fund Balance End of Year	<u><u>\$6,833</u></u>	<u><u>\$6,833</u></u>	<u><u>\$56,582</u></u>	<u><u>\$49,749</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL -BUDGET BASIS - FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$51,000	\$51,000	\$56,275	\$5,275
Intergovernmental	6,531	6,531	3,137	(3,394)
Total receipts	<u>57,531</u>	<u>57,531</u>	<u>59,412</u>	<u>1,881</u>
Disbursements				
Current:				
General Government			1,008	(1,008)
Public Safety	64,371	64,371	57,500	6,871
Total Disbursements	<u>64,371</u>	<u>64,371</u>	<u>58,508</u>	<u>5,863</u>
Excess of Receipts Over (Under) Disbursements	(6,840)	(6,840)	904	7,744
Fund Balance Beginning of Year	<u>9,726</u>	<u>9,726</u>	<u>9,726</u>	
Fund Balance End of Year	<u><u>\$2,886</u></u>	<u><u>\$2,886</u></u>	<u><u>\$10,630</u></u>	<u><u>\$7,744</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

1. REPORTING ENTITY

Union Township, Auglaize County, Ohio (the Township) is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Uniopolis Volunteer Fire Department, Wayne Township, and the St. Johns Volunteer Fire and Rescue Department for fire protection and emergency ambulance services. Police protection is provided by the Auglaize County Sheriff's Department.

B. Jointly Governed Organizations and 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), a risk-sharing pool available to Ohio townships.

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

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

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

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2007 was \$388 which includes \$159 assigned from other Township funds.

F. Restricted Assets

Cash is 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 did not have any restricted assets.

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. Employer Contributions to Cost-Sharing Pension Plans

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

J. 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. The Township had no debt outstanding at year-end.

K. 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 special revenue purposes. 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. The Township did not have net assets restricted by enabling legislation.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

3. ACCOUNTABILITY

The Township recorded some expenditures in the wrong fund which violated Ohio Rev. Code Section 5705.10(H).

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 – Budget Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District 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 (budget basis) rather than as a reservation of fund balance. The Township did not have outstanding year end encumbrances.

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$124,480 of the Township's bank balance of \$224,480 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

6. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were 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. 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$5.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$20,327,810
Agriculture	5,245,880
Commercial/Industrial/Mineral	528,090
Public Utility Property	
Real	22,440
Personal	673,220
Tangible Personal Property	<u>212,078</u>
Total Assessed Value	<u><u>\$27,009,518</u></u>

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

7. RISK MANAGEMENT (Continued)

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

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, 2007 and 2006:

	2007	2006
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$29,852,866	\$29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$6,068. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2005	\$8,105
2006	\$7,775
2007	\$6,455

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

7. RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. PENSION PLAN

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, the members in the traditional plan were required to contribute 9.5 percent of their annual covered salaries. The 2007 employer contribution rate for local government employers was 13.85 percent of covered payroll; 8.85 percent for pension obligations for the period January 1 through June 30, 2007 and 7.85 percent for the period July 1 through December 31, 2007.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$3,942, \$4,102 and \$4,075 respectively; 100 percent has been contributed for 2007, 2006, and 2005.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

9. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, local government employer units contributed at 13.85 percent of covered payroll. The portion of employer contributions for all employers allocated to health care was 5.00 percent for the period January 1 through June 30, 2007 and 6.00 percent for the period July 1 through December 31, 2007. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS.

Benefits are advance-funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, 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 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5 percent to 5 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, 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 Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund other post-employment benefits were \$2,677.

The amount of \$12.0 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2006. The Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB, based on actuarial cost method used, at \$30.7 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
(Continued)**

10. DEBT

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

Governmental Activities	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
General Obligation Notes 2002 Issue (Original Amount \$130,000)	3.8%	\$24,000	\$0	\$24,000	\$0	\$0

This debt was paid in full on October 13, 2007 from the Gasoline Tax monies.

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**UNION TOWNSHIP
AUGLAIZE 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 of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased \$93,608 or 78%, a significant change from the prior year. The funds most affected by the increase in cash were the General Fund and the Gasoline Tax Fund. These increases in cash were a result of increased receipts for estate taxes and decreases in spending.
- The Township's general receipts are primarily property taxes. These receipts represent 32% of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased approximately 6 percent compared to 2005.

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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis of 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 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 non financial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

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

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

Reporting the Township's Most Significant Funds

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

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

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

The Township as a Whole

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

**(Table 1)
Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
Assets		
Cash and Cash Equivalents	\$213,294	\$119,686
Total Assets	213,294	119,686
Net Assets		
Restricted for:		
Other Purposes	144,295	84,298
Unrestricted	68,999	35,388
Total Net Assets	\$213,294	\$119,686

As mentioned previously, net assets of governmental activities increased \$93,608 or 78% during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- Unanticipated Estate Tax receipts of \$58,235 in the General Fund
- Decrease in spending of \$28,197 in the Gasoline Tax Fund or 59% during 2006.

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 Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$10,908	\$3,860
Operating Grants and Contributions	93,504	124,390
Capital Grants and Contributions	58,200	
Total Program Receipts	162,612	128,250
General Receipts:		
Property and Other Local Taxes	125,316	118,301
Grants and Entitlements Not Restricted to Specific Programs	101,912	37,070
Interest	598	25
Miscellaneous	4,251	1,182
Total General Receipts	232,077	156,578
Total Receipts	394,689	284,828

(Continued)

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

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

	Governmental Activities 2006	Governmental Activities 2005
Disbursements:		
General Government	79,250	67,770
Public Safety	64,458	54,500
Public Works	70,512	148,047
Health	3,050	3,767
Capital Outlay	58,200	282
Debt Service:		
Principal	24,000	24,000
Interest	1,611	2,498
Total Disbursements	301,081	300,864
 Increase (Decrease) in Net Assets	 93,608	 (16,036)
 Net Assets, January 1, 2006	 119,686	 135,722
Net Assets, December 31, 2006	\$213,294	\$119,686

Program receipts represent only 41 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money and building permits.

General receipts represent 59 percent of the Township's total receipts, and of this amount, approximately 32 percent of the Township's total receipts are local taxes. State and federal grants and entitlements, interest and miscellaneous revenues make up the balance of the Township's general receipts and represent approximately 27 percent of total receipts.

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 payroll costs of the Trustees and Fiscal Officer. Since these costs do not represent direct services to residents, the Township tries to limit these costs.

Public Safety is the costs of fire protection; Public Works are the cost of repairing and maintaining township roads; and Capital Outlay costs are those for road projects funded by Issue II money.

Governmental Activities

If you look at the Statement of Activities – Cash Basis, 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 General Government, Public Safety, and Public Works, which account for 26, 21, and 23 percent of all governmental disbursements, respectively. The next three columns entitled Program Cash 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 (Disbursement) Receipt 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 presented in Table 3.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

(Table 3)

Governmental Activities				
	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$79,250	\$76,100	\$67,770	\$63,910
Public Safety	64,458	64,458	54,500	54,500
Public Works	70,512	(81,192)	148,047	23,657
Health	3,050	3,050	3,767	3,767
Other		(7,758)		
Capital Outlay	58,200	58,200	282	282
Principal	24,000	24,000	24,000	24,000
Interest	1,611	1,611	2,498	2,498
Total Expenses	<u>\$301,081</u>	<u>\$138,469</u>	<u>\$300,864</u>	<u>\$172,614</u>

The dependence upon property and other local taxes is apparent as 46 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$394,689 and disbursements of \$301,081. The greatest change within governmental funds occurred within the General Fund and Gasoline Tax Fund. The fund balance of the General Fund increased \$33,611 as the result of unanticipated estate tax receipts. The fund balance of the Gasoline Tax Fund increased by \$37,335 due to a decrease in spending.

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 did not amend its General Fund budget. The difference between budgeted receipts and actual receipts was \$50,370.

Disbursements of the General Fund were budgeted at \$92,236, while actual disbursements were \$80,472. The result is the increase in fund balance of \$33,579 for 2006.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2006, the Township's outstanding debt included \$24,000 in general obligation notes issued for the purchase of a dump truck and tractor/mower. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

Current Issues

The challenge for all governments including Township's is to provide quality services to the public while staying within the imposed restrictions imposed by limited, and in some cases, shrinking funding. The Township relies heavily on local taxes and has very little industry to support the tax base. The Township reviewed our sources of revenue and determined that major increases were unlikely. Then the Township reviewed the disbursement history. The Township has planned to limit the expenses of each fund to the amount of budgeted revenue to reduce the affect of a continued reduction in fund balances for all accounts.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mary Ruppert, Fiscal Officer, Union Township, 15054 State Route 65, Wapakoneta, Ohio 45445.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$213,294
Total Assets	<u>213,294</u>
Net Assets	
Restricted for:	
Other Purposes	144,295
Unrestricted	68,999
Total Net Assets	<u>\$213,294</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE 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	Total
Governmental Activities					
General Government	\$79,250	\$3,150			(\$76,100)
Public Safety	64,458				(64,458)
Public Works	70,512		\$93,504	\$58,200	81,192
Health	3,050				(3,050)
Other		7,758			7,758
Capital Outlay	58,200				(58,200)
Debt Service:					
Principal	24,000				(24,000)
Interest	1,611				(1,611)
Total Governmental Activities	\$301,081	\$10,908	\$93,504	\$58,200	(138,469)
General Receipts					
Property Taxes					125,316
Grants and Entitlements not Restricted to Specific Programs					101,912
Earnings on Investments					598
Miscellaneous					4,251
					232,077
Total General Receipts					232,077
Change in Net Assets					93,608
Net Assets Beginning of Year					119,686
Net Assets End of Year					\$213,294

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$68,999	\$77,790	\$29,996	\$9,726	\$26,783	\$213,294
Total Assets	<u>68,999</u>	<u>77,790</u>	<u>29,996</u>	<u>9,726</u>	<u>26,783</u>	<u>213,294</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	32	10	10			52
Unreserved:						
Undesignated, Reported in:						
General Fund	68,967					68,967
Special Revenue Funds		77,780	29,986	9,726	26,783	144,275
Total Fund Balances	<u>\$68,999</u>	<u>\$77,790</u>	<u>\$29,996</u>	<u>\$9,726</u>	<u>\$26,783</u>	<u>\$213,294</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Public Works Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts							
Property and Other Local Taxes	\$26,966		\$47,222	\$51,128			\$125,316
Charges for Services						\$7,758	7,758
Licenses, Permits and Fees	3,150						3,150
Intergovernmental	83,159	\$53,235	5,961	6,294	\$58,200	\$46,767	253,616
Earnings on Investments	360	175				63	598
Miscellaneous	416	3,835					4,251
Total Receipts	<u>114,051</u>	<u>57,245</u>	<u>53,183</u>	<u>57,422</u>	<u>58,200</u>	<u>54,588</u>	<u>394,689</u>
Disbursements							
Current:							
General Government	77,390		899	961			79,250
Public Safety				56,700		7,758	64,458
Public Works		19,910	45,221			5,381	70,512
Health	3,050						3,050
Capital Outlay					58,200		58,200
Debt Service:							
Principal Retirement						24,000	24,000
Interest and Fiscal Charges						1,611	1,611
Total Disbursements	<u>80,440</u>	<u>19,910</u>	<u>46,120</u>	<u>57,661</u>	<u>58,200</u>	<u>38,750</u>	<u>301,081</u>
Excess of Receipts Over (Under) Disbursements	33,611	37,335	7,063	(239)		15,838	93,608
Fund Balances Beginning of Year	<u>35,388</u>	<u>40,455</u>	<u>22,933</u>	<u>9,965</u>		<u>10,945</u>	<u>119,686</u>
Fund Balances End of Year	<u><u>\$68,999</u></u>	<u><u>\$77,790</u></u>	<u><u>\$29,996</u></u>	<u><u>\$9,726</u></u>	<u><u>\$0</u></u>	<u><u>\$26,783</u></u>	<u><u>\$213,294</u></u>

See accompanying notes to the basic financial statements

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$26,500	\$26,500	\$26,966	\$466
Licenses, Permits and Fees	6,000	6,000	3,150	(2,850)
Intergovernmental	31,146	31,146	83,159	52,013
Earnings on Investments	25	25	360	335
Miscellaneous	10	10	416	406
Total Receipts	<u>63,681</u>	<u>63,681</u>	<u>114,051</u>	<u>50,370</u>
Disbursements				
Current:				
General Government	86,011	86,011	77,422	8,589
Public Works	500	500		500
Health	5,100	5,100	3,050	2,050
Capital Outlay	625	625		625
Total Disbursements	<u>92,236</u>	<u>92,236</u>	<u>80,472</u>	<u>11,764</u>
Excess of Receipts Over (Under) Disbursements	(28,555)	(28,555)	33,579	62,134
Other Financing Sources				
Other Financing Sources	<u>2,455</u>	<u>2,455</u>		<u>(2,455)</u>
Net Change in Fund Balance	(26,100)	(26,100)	33,579	59,679
Fund Balance Beginning of Year	<u>35,388</u>	<u>35,388</u>	<u>35,388</u>	
Fund Balance End of Year	<u><u>9,288</u></u>	<u><u>\$9,288</u></u>	<u><u>\$68,967</u></u>	<u><u>\$59,679</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Intergovernmental	\$43,192	\$43,192	\$53,235	\$10,043
Earnings on Investments	8	8	175	167
Miscellaneous	800	800	3,835	3,035
Total Receipts	<u>44,000</u>	<u>44,000</u>	<u>57,245</u>	<u>13,245</u>
Disbursements				
Current:				
Public Works	84,455	84,455	19,920	64,535
Total Disbursements	<u>84,455</u>	<u>84,455</u>	<u>19,920</u>	<u>64,535</u>
Excess of Receipts Over (Under) Disbursements	(40,455)	(40,455)	37,325	77,780
Fund Balance Beginning of Year	<u>40,455</u>	<u>40,455</u>	<u>40,455</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$77,780</u></u>	<u><u>\$77,780</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$47,240	\$47,240	\$47,222	(\$18)
Intergovernmental	5,900	5,900	5,961	61
Total Receipts	<u>53,140</u>	<u>53,140</u>	<u>53,183</u>	<u>43</u>
Disbursements				
Current:				
General Government			909	(909)
Public Works	86,208	86,208	45,221	40,987
Capital Outlay	3,000	3,000		3,000
Total Disbursements	<u>89,208</u>	<u>89,208</u>	<u>46,130</u>	<u>43,078</u>
Excess of Receipts Over (Under) Disbursements	(36,068)	(36,068)	7,053	43,121
Fund Balance Beginning of Year	<u>22,933</u>	<u>22,933</u>	<u>22,933</u>	
Fund Balance End of Year	<u>(\$13,135)</u>	<u>(\$13,135)</u>	<u>\$29,986</u>	<u>\$43,121</u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property and Other Local Taxes	\$50,400	\$50,400	\$51,128	\$728
Intergovernmental	6,955	6,955	6,294	(661)
Total receipts	<u>57,355</u>	<u>57,355</u>	<u>57,422</u>	<u>67</u>
Disbursements				
Current:				
General Government			961	(961)
Public Safety	63,473	63,473	56,700	6,773
Total Disbursements	<u>63,473</u>	<u>63,473</u>	<u>57,661</u>	<u>5,812</u>
Excess of Receipts (Under) Disbursements	(6,118)	(6,118)	(239)	5,879
Fund Balance Beginning of Year	<u>9,965</u>	<u>9,965</u>	<u>9,965</u>	
Fund Balance End of Year	<u><u>\$3,847</u></u>	<u><u>\$3,847</u></u>	<u><u>\$9,726</u></u>	<u><u>\$5,879</u></u>

See accompanying notes to the basic financial statements.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

1. REPORTING ENTITY

Union Township, Auglaize County (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Uniopolis Volunteer Fire Department, Wayne Township, and the St. Johns Volunteer Fire and Rescue Department for fire protection and emergency ambulance services. Police protection is provided by the Auglaize County Sheriff's Department.

B. Joint Governed Organizations and 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), a risk-sharing pool available to Ohio townships.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2C, 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

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

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

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

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Public Works – This fund accounts for Issue II money spent on behalf of the Township maintaining and repairing Township roads.

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

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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

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

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2006 was \$360 which includes \$183 assigned from other Township funds.

F. Restricted Assets

Cash is 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 did not have any restricted assets.

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. Employer Contributions to Cost-Sharing Pension Plans

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

J. 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.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads and fire 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. The Township did not have net assets restricted by enabling legislation.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

3. ACCOUNTABILITY

The Township failed to record some restricted revenues in the correct fund which violated Ohio Rev. Code Section 5705.10(D). The Township incorrectly recorded some expenditures in the wrong fund which violated Ohio Rev. Code Section 5705.10(H). The Township charged the wages of some Trustees to restricted funds which violated Ohio Rev. Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036.

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 – Budget Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District 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 that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$32 for the General Fund, \$10 for Gasoline Tax Fund, and \$10 for the Road and Bridge.

5. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$117,448 of the Township's bank balance of \$217,448 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

6. PROPERTY TAXES

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

6. PROPERTY TAXES (Continued)

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and 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 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 2005 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 is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$5.95 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$20,198,990
Agriculture	\$ 5,505,260
Commercial/Industrial/Mineral	\$ 1,058,610
Public Utility Property	
Real Property	\$ 23,490
Personal	\$ 1,000,590
Tangible Personal Property	\$ 194,160
Total Assessed Value	<u>\$27,981,100</u>

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

7. RISK MANAGEMENT (Continued)

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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

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:

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

7. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$15,550. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2004	\$7,425
2005	\$8,105
2006	\$7,775

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.

8. PENSION PLAN

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

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

8. PENSION PLAN

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent, 9.2% was to fund pension obligations.

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 \$4,102, \$4,075 and \$3,976 respectively; 100 percent has been contributed for 2006.

9. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2006, local government employer units contributed at 13.70% of covered payroll. The portion of employer contributions for all employers allocated to health care was 4.50 percent. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Benefits are advance-funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. 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 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

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

9. POST-EMPLOYMENT BENEFITS (Continued)

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. 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 other post-employment benefits were \$2,007.

The amount of \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2005 (the latest information available). The Actuarial Valuation as of December 31, 2005, reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB, based on actuarial cost method used, at \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

10. DEBT

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

Governmental Activities	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
General Obligation Notes 2002 Issue (Original Amount \$130,000)	3.8%	\$48,000	\$0	\$24,000	\$24,000	\$24,000

The general obligation notes, issued to purchase a dump truck and tractor/mower, are supported by the full faith and credit of the Township and are being paid from the Gasoline Tax monies. Principal and interest payments are due semi-annually.

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

<u>Year</u>	<u>G.O. Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$24,000	\$684

The Ohio Revised Code provides that a township shall not incur net indebtedness that exceeds an amount equal to five per cent of its tax valuation and, except as specifically authorized by section 505.262 of the Revised Code or other laws, shall not incur any net indebtedness unless authorized by vote of the electors. The effects of the debt limitation at December 31, 2006, were an overall debt margin of \$1,399,055 and an unvoted debt margin of \$1,375,055.

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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
Auglaize County
15054 State Route 65
Wapakoneta, Ohio 45845

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, Auglaize County, (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 16, 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 opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding numbers 2007-001 through 2007-003 are also material weaknesses.

We also noted a certain matter that we reported to the Township's management in a separate letter dated September 16, 2008.

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: 2007-002 through 2007-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 16, 2008.

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



Mary Taylor, CPA
Auditor of State

September 16, 2008

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Recording of Financial Activity

To assist in the effective management and reporting of financial resources, an entity should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The Township's 2007 accounting records and financial statements had revenue classification errors of \$10,214 in the General Fund and \$55,000 in the Special Revenue Gasoline Tax Fund. In addition, there were expenditure classification errors of \$66,307 in the Special Revenue Gasoline Tax fund, \$3,000 in the Special Revenue Road and Bridge Fund and \$5,913 in the Special Revenue Permissive Motor Vehicle License Tax Fund. In 2006, the Township's 2006 accounting records and financial statements had revenue classification errors of \$416 in the General Fund. The classification errors consisted of but were not limited to the recording of estate tax revenue as property and other local taxes instead of intergovernmental revenue; the recording of a sale of a fixed asset as miscellaneous revenue instead of sale of fixed assets; the recording of repayments of findings for recovery, refunds, costs of copies and the sale of flags as other financing sources instead of miscellaneous revenue; and the recording of purchases of equipment as public works instead of capital outlay.

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

The Township Fiscal Officer should review the Ohio Township Manual and Auditor of State Audit Bulletins for guidance in the recording of revenues and expenditures. The Township's Fiscal Officer and Trustees should also perform a periodic review of the financial records, as well as a review of the financial statements, to help identify recording errors.

FINDING NUMBER 2007-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036.

In summary, Ohio Rev. Code Section 505.24(C) requires the following:

- Trustees receiving per diem compensation: The trustees must resolve a method by which each trustee shall periodically notify the township clerk of the number of days spent on township services and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in proportion to the kinds of services rendered, as documented. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.)

**FINDING NUMBER 2007-002
(Continued)**

- Trustees receiving compensation by annual salary: By resolution, Rev. Code Section 505.24(C) permits trustees to receive annual salaries instead of per diem payments. When paid by salary, Rev. Code Section 505.24(C) does not prescribe a “documentation of time spent” requirement.

However, for salaries not paid from the general fund, effective October 19, 2004, OAG Opinion 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Per the above, trustees must keep records of the time spent on various tasks and the fund to which the township will charge their costs. (The sole exception to this is for trustees charging all salaries to the general fund, as described above.) There is no one method for documenting time and the kinds of services rendered. A diary, time sheets or other methods will suffice if they include the information described above.

Prior to the issuance of the aforementioned, OAG Opinion, the Auditor of State (AOS) accepted resolutions that specified percentages of salaries to allocate to various funds, as complying with Rev. Code Section 505.24(C). This OAG Opinion alters that conclusion. Resolutions to pay trustees by salary should now specify that a township will allocate salaries based on documentation the trustees submit, not based on percentages a resolution specifies.

For example, subsequent to the OAG Opinion, it is not acceptable for a township to resolve that they will “charge 50% of trustee salaries and benefits to the general fund and 50% of this compensation to the road & bridge fund.”

During 2006, the Township Trustees were paid on a salary basis. The wage of one Trustee was charged 100 percent to the Gasoline Tax Fund and the wage of another Trustee was paid 100 percent from the Road and Bridge Fund. There were no time sheets or other documentation to support the wages charged to the Gasoline Tax Fund or the Road and Bridge Fund. The failure to support the wages of Trustees charged to the Gasoline Fund and the Road and Bridge Fund resulted in the material misstatement of the financial statements. As a result, the accompanying financial statements and the Township’s accounting records were adjusted to increase expenditures in the General Fund by \$16,240 and reduce expenditures in the Road and Bridge Fund by \$8,120 and the Gasoline Tax Fund by \$8,120.

The failure to record expenditures in the fund that can legally support the validity of the expenditures can inhibit management’s ability to make sound financial decisions based on the reported activity. In addition, the recording of expenditures in the wrong fund can result in the material misstatement of the financial statements.

The Township should develop a method to document the time spent and type of services performed by each Trustee to support the wages charged to each fund. Periodically a review should be performed of the accounting records to help assure that the recorded activity is appropriate in each fund.

FINDING NUMBER 2007-003

Material Weakness/Noncompliance Citation

Ohio Rev. Code Section 5705.10(D) requires that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During 2006, a FEMA Grant receipt and subsequent expenditure in the amount of \$3,834 was recorded in the Gasoline Tax Fund instead of being recorded in the FEMA Fund.

Further, Ohio Rev. Code Section 5705.10(H) states that money that is paid into a fund shall only be used for the purposes for which such fund is established.

During 2007 and 2006, the Township recorded auditor and treasurer fees withheld from the Special Revenue Fire District Fund tax receipts in the General Fund and in 2006 the Township recorded auditor and treasurer fees withheld from the Special Revenue Road and Bridge Fund tax receipts in the General Fund. The failure to record financial activity in the correct funds not only inhibits the users understanding of the financial statements but also can materially misstate the financial statements.

The Township has made the necessary adjustments in their accounting records and financial statements to increase/decrease fund balances to properly reflect these amounts in the funds. The required adjustments had the following effect upon the respective funds:

Year	General Fund	Fire District Fund	Road & Bridge Fund
2007	\$1,008	(\$1,008)	
2006	\$1,860	(\$961)	(\$899)

The Township Fiscal Officer should utilize Auditor of State resources such as the Ohio Township Manual to provide guidance on the recording of revenues. In addition, the Township should implement review and monitoring procedures to help assure that revenues are recorded in the correct fund.

FINDING NUMBER 2007-004

Noncompliance Citation – Health Care Reimbursement

Ohio Rev. Code Section 505.60 states, in part, that a board of township trustees may procure and pay all or part of the cost of certain health insurance policies for township officers and employees. Reimbursement is permitted for a township officer or employee who is denied coverage under a township health care plan or who elects not to participate in the township's plan.

Ohio Rev. Code Section 505.601 states that if a board of township trustees does not procure an insurance policy or group health care services, the board of township trustees may reimburse a township officer or employee for out-of-pocket premiums that the officer or employee incurs for insurance policies described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if certain conditions are met.

On December 8, 2001, the Trustees passed a resolution offering all Township Trustees and the Fiscal officer reimbursement for cancer, life, major medical, hospital, disability, dental, vision, dependent major medical, weekly hospital income, hearing aid, long-term indemnity, nursing home care, supplemental Medicare, prescription card, accident and health insurance in an amount not to exceed \$2,400.00 per individual per year.

**FINDING NUMBER 2007-004
(Continued)**

This resolution did not indicate that the Township has chosen not to procure, pursuant to Ohio Rev. Code Section 505.601, a health care plan under Section 505.60, when in fact, the Township was procuring some insurance benefits under Section 505.60.

During 2007 and 2006, the Township procured cancer policies and reimbursed health insurance premiums for the Trustees and Fiscal Officer.

The Township cannot procure health insurance policies, such as cancer, pursuant to Ohio Rev. Code Section 505.60 and also reimburse for other health insurance policies pursuant to Ohio Rev. Code Section 505.601. The Township can only operate under Ohio Rev. Code Section 505.60 or Section 505.601, but not both.

The Township should adopt a clarifying resolution stating whether the Township will procure insurance for officers and employees or not that agrees with the respective section of the Ohio Revised Code. Pursuant to Ohio Rev. Code Section 505.602, the Township may procure life insurance for officers and full time employees, but may not reimburse for individual policies. If necessary, the Township should consult with its legal counsel for assistance in determining how to resolve this issue. The Township's failure to correct this issue could result in findings for recovery against officials and employees in subsequent audits.

Officials Response:

Officials did not respond to the findings above.

**UNION TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 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	Finding for Recovery/Repaid Under Audit - Ohio Rev. Code Section 505.602 – the Fiscal Officer and Trustees were reimbursed for life insurance.	Yes	
2005-002	Ohio Rev. Code Section 505.602 – the Township's accidental death benefit policy exceeded the statutory limit of \$50,000	Yes	



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2008**