
UNION TOWNSHIP
MADISON COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2006 & 2005

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



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Mary Taylor, CPA

Auditor of State

Board of Trustees
Union Township
4090 Glade Run Rd
London, Ohio 43140

We have reviewed the *Independent Auditors' Report* of Union Township, Madison County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Union Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 23, 2007

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**UNION TOWNSHIP
MADISON COUNTY, OHIO**

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005	4
Notes to the Financial Statements	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10
Schedule of Findings and Responses	12

Whited Seigneur Sams & Rahe, LLP

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June 7, 2007

Board of Trustees, Union Township
Madison County
4090 Glade Run Rd
London, OH 43140

Independent Auditors' Report

We have audited the accompanying financial statements of Union Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of the State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2006 and 2005, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectful ly submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**UNION TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

CASH RECEIPTS	General	Special Revenue	Memorandum Only
			Total
Local Taxes	\$ 40,196	\$ 24,758	\$ 64,954
Intergovernmental Receipts	241,263	99,882	341,145
Licenses, Permits, & Fees	30,000	0	30,000
Earnings on Investments	3,364	3,558	6,922
Other Revenue	913	19	932
TOTAL CASH RECEIPTS	315,736	128,217	443,953
CASH DISBURSEMENTS			
General Government	85,081	0	85,081
Public Works	0	62,770	62,770
Public Safety	0	24,841	24,841
Capital Outlay	10,867	12,359	23,226
Debt Service:			
Redemption of Principal	0	8,820	8,820
Interest and Other Fiscal Charges	0	2,030	2,030
TOTAL CASH DISBURSEMENTS	95,948	110,820	206,768
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	219,788	17,397	237,185
Fund Cash Balances, January 1, 2006	193,970	198,503	392,473
Fund Cash Balances, December 31, 2006	<u>\$ 413,758</u>	<u>\$ 215,900</u>	<u>\$ 629,658</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**UNION TOWNSHIP
MADISON COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Memorandum Only Total</u>
CASH RECEIPTS			
Local Taxes	\$ 35,643	\$ 35,557	\$ 71,200
Intergovernmental Receipts	95,449	96,984	192,433
Licenses, Permits, & Fees	0	0	0
Earnings on Investments	1,855	1,541	3,396
Other Revenue	19	1,783	1,802
	<u>132,966</u>	<u>135,865</u>	<u>268,831</u>
TOTAL CASH RECEIPTS	132,966	135,865	268,831
CASH DISBURSEMENTS			
General Government	87,560	0	87,560
Public Works	0	39,984	39,984
Public Safety	0	22,745	22,745
Capital Outlay	0	7,020	7,020
Debt Service:			
Redemption of Principal	0	8,345	8,345
Interest and Other Fiscal Charges	0	2,505	2,505
	<u>87,560</u>	<u>80,599</u>	<u>168,159</u>
TOTAL CASH DISBURSEMENTS	87,560	80,599	168,159
TOTAL CASH RECEIPTS OVER/ (UNDER) CASH DISBURSEMENTS	45,406	55,266	100,672
Fund Cash Balances, January 1, 2005	<u>148,564</u>	<u>143,237</u>	<u>291,801</u>
Fund Cash Balances, December 31, 2005	<u><u>\$ 193,970</u></u>	<u><u>\$ 198,503</u></u>	<u><u>\$ 392,473</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**UNION TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Description of the Entity**

Union Township, Madison County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides general governmental services, road and bridge maintenance and fire protection. The Township contracts with the Central Township Fire Department to provide fire protection.

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

- **Basis of Accounting**

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

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

- **Fund Accounting**

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

- **General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire District Fund - This fund receives property tax money to pay for a fire contract with the Central Township Fire Department.

**UNION TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrance s) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.
- **Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.
- **Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Union Township does not encumber when commitments are made but does provide certification at the time of payment through the use of then and now certificates.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

- **Property, Plant and Equipment**

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

- **Cash and Investments**

The Township had one primary checking account and invested in certificates of deposit during the audit period. Certificates of deposit are reported at cost.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand Deposits	\$ 569,293	\$ 332,108
Certificates of deposit	60,365	60,365
Total Fund Cash Balances	\$ 629,658	\$ 392,473

Deposits

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

**UNION TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and December 31, 2005, were as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 132,966	\$ 315,736	\$ (182,770)
Special Revenue	<u>135,864</u>	<u>128,217</u>	<u>7,647</u>
Total	<u>\$ 268,830</u>	<u>\$ 443,953</u>	<u>\$ (175,123)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 336,936	\$ 95,948	\$ 240,988
Special Revenue	<u>324,366</u>	<u>110,820</u>	<u>213,546</u>
Total	<u>\$ 661,302</u>	<u>\$ 206,768</u>	<u>\$ 454,534</u>

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 107,520	\$ 132,966	\$ (25,446)
Special Revenue	<u>108,497</u>	<u>135,865</u>	<u>(27,368)</u>
Total	<u>\$ 216,017</u>	<u>\$ 268,831</u>	<u>\$ (52,814)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 206,084	\$ 87,560	\$ 128,524
Special Revenue	<u>251,734</u>	<u>80,599</u>	<u>161,135</u>
Total	<u>\$ 457,818</u>	<u>\$ 168,159</u>	<u>\$ 289,659</u>

Contrary to Ohio Law, the Township did not properly encumber all commitments during 2006 and 2005.

4. PROPERTY TAX

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

**UNION TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

4. PROPERTY TAX (Continued)

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

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

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

5. LEASE-PURCHASE AGREEMENT

A lease agreement with an option to purchase was entered into for a truck and equipment in December 2004 for \$54,250, at 5.95%. Repayment began on May 1, 2005. The balance outstanding at December 31, 2006 was \$29,582.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending	Truck Lease Agreement
<u>December 31</u>	
2007	\$ 10,850
2008	10,850
2009	10,850
Thereafter	<u>0</u>
	<u>\$ 32,550</u>

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 9.0% and 8.5% of their gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for the years ended December 31, 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 500 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

**UNION TOWNSHIP
MADISON COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS**

7. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Pursuant to Section 2722.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety, and bond, inland marine, and other coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage and reinsures these coverage's 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

The Township also provides health insurance coverage to the elected officials and full-time employees through private carriers.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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June 7, 2007

Board of Trustees, Union Township
Madison County
4090 Glade Run Rd
London, OH 43140

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the accompanying financial statements of Union Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 7, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permitted rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes or permits such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-001 and 2006-002.

We noted certain matters that we reported to management of the Township in a separate letter dated June 7, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on it.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

**UNION TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

FINDING NUMBER 2006-001

Ohio Rev. Code Section 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirements for approval of expenditures by the taxing authority.

55% of transactions examined were not properly certified prior to receiving goods and/or services.

Union Township does not encumber when commitments are made but does provide certification at the time of payment through the use of then and now certificates. Approximately 50% percent of the disbursements tested were not certified by the fiscal officer until the time of payment. The fiscal officer did issue "then and now" certificates for the remaining payments

The Township should properly certify expenditures in accordance with Ohio Revised Code requirements. Blanket certificates can be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the Board of Trustees against any specific line item appropriation account over a period not running beyond the end of the current fiscal year. A regular purchase order should be issued for larger and/or one time purchases. Whether a purchase order or blanket certificate is used, it should be certified before the actual purchases are made. A "Then and Now" certificate can be used for those purchases not receiving prior certification.

Auditee's Response:

Purchase orders will be administered to properly certify.

**UNION TOWNSHIP
MADISON COUNTY, OHIO
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2006 AND 2005**

FINDING 2006-002

Ohio Rev. Code Section 135.08. [135.14(B)(3)] states that eligible interim deposits are certificates of deposit maturing not more than one year from the deposit date, or savings or deposit accounts, including passbook accounts.

The Township had two certificates of deposit with a maturity of 19-24 months and renewed those certificates in June 2006 for a period of 13-15 months.

Certificates of deposit should be renewed for less than 12 months to comply with the Ohio Revised Code.

Auditee's Response:

Future renewals of certificates will be made for 12 months or less.



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 2, 2007**