

**EAST UNION TOWNSHIP  
WAYNE COUNTY, OHIO**

**REGULAR AUDIT**

**For The Years  
Ended December 31, 2005 – 2004**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
East Union Township  
PO Box 222  
Apple Creek, Ohio 44606

We have reviewed the *Independent Auditor's Report* of East Union Township, Wayne County, prepared by Ken Richards & Associates, Ltd. for the audit period January 1, 2004 through December 31, 2005. 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.

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. East Union Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 29, 2006

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**EAST UNION TOWNSHIP, WAYNE COUNTY**  
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## **Independent Auditor's Report**

East Union Township

To the Trustees of East Union Township:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Union Township, Wayne County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the remaining fund information of East Union Township, Wayne County, as of December 31, 2005 and 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, and Fire District funds thereof for the years then ended in conformity with the accounting basis Note 1 describes.

For the year ended December 31, 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This change is described in Note 3 to the Basic Financial Statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

Independent Auditor's Report

East Union Township

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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.

*Ken Richards & Associates, LTD.*

Ken Richards & Associates, Ltd.

August 24, 2006

## **EAST UNION TOWNSHIP, WAYNE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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This discussion and analysis of the East Union Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$49,229, or a 4 percent change from the 2004. The fund most affected by the decrease in cash and cash equivalents was the Fire District Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected most funds.

The Township's general receipts are primarily property taxes. These receipts represent \$436,965 or 60% and \$431,796 or 62% of the total cash received for governmental activities during 2005 and 2004, respectively. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

The Township's main project for 2005 was the maintenance and repair of the roadways and bridges. The Township improved some allotment areas by paving some of the culd-a-sac's rather than chip and sealing.

### **Using the Basic Financial Statements**

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

### **Report Components**

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

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

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

### **Basis of Accounting**

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



## **EAST UNION TOWNSHIP, WAYNE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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

### **Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, the Township has one type of activity:

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

### **Reporting the Township's Most Significant Funds**

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

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds for both 2004 and 2005 included the General Fund, Road and Bridge, and Fire District. The Gasoline Tax Fund was a major fund for 2005 only as it did not meet the criteria to be included as a major fund for 2004. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Government as a Whole**

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

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$ 570,414	\$ 637,562
Investments	593,681	575,762
Total Assets	<u>1,164,095</u>	<u>1,213,324</u>
<b>Net Assets</b>		
Restricted for:		
Debt Service	-	-
Capital Outlay	-	-
Other Purposes	601,583	663,650
Unrestricted	<u>562,512</u>	<u>549,674</u>
Total Net Assets	<u>\$ 1,164,095</u>	<u>\$ 1,213,324</u>

As mentioned previously, net assets of governmental activities decreased \$ 49,229 or 4 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in salaries ranging from 2% to 3% based on current governmental cost of living recommendations.

Table 2 reflects the changes in net assets in 2005. In future years, when prior year information is available, a comparative analysis will be presented.

**EAST UNION TOWNSHIP, WAYNE COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	17,026	20,661
Operating Grants and Contributions	108,058	99,080
Capital Grants and Contributions	-	-
Total Program Receipts	<u>125,084</u>	<u>119,741</u>
General Receipts:		
Property and Other Local Taxes	427,046	421,148
Income Taxes	9,919	10,649
Grants and Entitlements Not Restricted to Specific Programs	138,589	124,455
Interest	20,560	9,650
Miscellaneous	5,714	7,598
Total General Receipts	<u>601,828</u>	<u>573,500</u>
Total Receipts	<u>726,912</u>	<u>693,241</u>
Disbursements:		
General Government	133,029	135,544
Public Safety	63,669	55,350
Public Works	436,534	304,120
Health	22,113	22,898
Human Services	1,273	1,443
Conservation-Recreation	1,916	1,034
Other	552	1,825
Capital Outlay	21,999	196,243
Principal Retirement	82,571	82,571
Interest and Fiscal Charges	12,485	16,729
Total Disbursements	<u>776,141</u>	<u>817,757</u>
Excess (Deficiency) Before Transfers	(49,229)	(124,516)
Transfers	-	-
Increase (Decrease) in Net Assets	<u>(49,229)</u>	<u>(124,516)</u>
Net Assets, January 1	<u>1,213,324</u>	<u>1,337,840</u>
Net Assets, December 31	<u><u>1,164,095</u></u>	<u><u>1,213,324</u></u>

Program receipts represent only 17% of total receipts for both 2005 and 2004 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 82 percent of the Township's total receipts for both 2005 and 2004, and of this amount, 73% and 76% percent are local taxes for 2005 and 2004, respectively. State and federal grants and entitlements make up the balance of the Township's general receipts for both 2005 and 2004. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the board of trustees and clerk. Since these costs do not represent direct services to residents, we try to limit these costs.

Security of Persons and Property are the costs of fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Township to industry and commerce as well as working with other governments in the area to attract new business.

**Governmental Activities**

If you look at the Statement of Activities on pages 11 and 19, 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 works, and debt service which account 18% and 17%, 57% and 38%, and 11% and 13%, for 2005 and 2004, respectively. During 2004, capital outlay accounted for approximately 24% of the total expenditures. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$ 133,029	\$ 133,029	\$ 135,544	\$ 135,544
Public Safety	63,669	46,643	55,350	34,689
Public Works	436,534	328,476	304,120	205,040
Health	22,113	22,113	22,898	22,898
Human Services	1,273	1,273	1,443	1,443
Conservation-Recreation	1,916	1,916	1,034	1,034
Other	552	552	1,825	1,825
Capital Outlay	21,999	21,999	196,243	196,243
Principal Retirement	82,571	82,571	82,571	82,571
Interest and Fiscal Charges	12,485	12,485	16,729	16,729
Total Expenses	<u>\$ 776,141</u>	<u>\$ 651,057</u>	<u>\$ 817,757</u>	<u>\$ 698,016</u>

Table 3 illustrates the reliance the Township places on general receipts such as property taxes.

**The Township's Funds**

Total governmental funds had receipts of \$726,911 and \$693,240 for 2005 and 2004 and disbursements of \$776,141 and \$817,757 for 2005 and 2004 respectively. The greatest change within governmental funds occurred within the Fire District Fund from 2004 to 2005 as the fund balance decreased \$38,441 as the result of increased costs for operating supplies, repairs and maintenance costs, and not achieving anticipated growth in income and property tax receipts.

## **EAST UNION TOWNSHIP, WAYNE COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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It was the recommendation of the fiscal officer that a reduction in disbursements along with a transfer of funds from the General Fund was preferable to requesting additional funds from the taxpayers. Some of these reductions have already been implemented for 2006 including cuts in repair and maintenance spending and operating expenses. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

### **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 funds are the General Fund and the Road and Bridge Fund.

Final budgeted receipts were above original budgeted receipts due to higher than expected estate taxes, interest income, and contributions. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements for 2005 for the General Fund were budgeted at \$541,750 while actual disbursements were \$158,493. Although receipts exceeded expectations, appropriations were not adjusted. Final disbursements for 2005 for the Road and Bridge fund were budgeted at \$742,300 while actual disbursements were \$292,225.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

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

#### **Debt**

The balance of the Township's outstanding debt was \$165,145 and \$247,716 in general obligation bonds issued for the East Union Township Fire Station as of December 31, 2005 and 2004, respectively. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

### **Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a decrease in funds for 2007; therefore, the fiscal officer and the trustees are looking at strategies to delay any deficits in any funds. We reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Government.

### **Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Valorie L. Lewis, Fiscal Officer, East Union Township, P.O. Box 222, Apple Creek, Ohio 44606.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 570,414
Investments	593,681
<i>Total Assets</i>	<u>1,164,095</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	601,583
Unrestricted	562,512
<i>Total Net Assets</i>	<u>\$ 1,164,095</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Activities - Modified Cash Basis*

*For the Year Ended December 31, 2005*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 133,029	\$ -	\$ -	\$ (133,029)
Public Safety	63,669	17,026	-	(46,643)
Public Works	436,534	-	108,058	(328,476)
Health	22,113	-	-	(22,113)
Human Services	1,273	-	-	(1,273)
Conservation-Recreation	1,916	-	-	(1,916)
Other	552	-	-	(552)
Capital Outlay	21,999	-	-	(21,999)
Debt Service:				
Principal	82,571	-	-	(82,571)
Interest	12,485	-	-	(12,485)
<i>Total Governmental Activities</i>	<u>776,141</u>	<u>17,026</u>	<u>108,058</u>	<u>(651,057)</u>
<b>General Receipts</b>				
Property Taxes				427,046
Other Taxes				9,919
Grants and Entitlements not Restricted to Specific Programs				138,589
Earnings on Investments				20,560
Miscellaneous				5,714
<i>Total General Receipts</i>				601,828
Change in Net Assets				(49,229)
<i>Net Assets Beginning of Year</i>				<u>1,213,324</u>
<i>Net Assets End of Year</i>				<u>1,164,095</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$ 228,831	\$ 30,639	\$ 233,308	\$ 4,575	\$ 73,061	\$ 570,414
Investments	333,681	-	235,000	25,000	-	593,681
<i>Total Assets</i>	<u>562,512</u>	<u>30,639</u>	<u>468,308</u>	<u>29,575</u>	<u>73,061</u>	<u>1,164,095</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	562,512	-	-	-	-	562,512
Special Revenue Funds	-	30,639	468,308	29,575	73,061	601,583
<i>Total Fund Balances</i>	<u>\$ 562,512</u>	<u>\$ 30,639</u>	<u>\$ 468,308</u>	<u>\$ 29,575</u>	<u>\$ 73,061</u>	<u>\$ 1,164,095</u>

See accompanying notes to the basic financial statements



**EAST UNION TOWNSHIP, WAYNE COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$ 64,185	\$ -	\$ 273,069	\$ 99,711	\$ -	\$ 436,965
Charges for Services	-	-	-	7,000	-	7,000
Licenses, Permits and Fees	-	-	-	-	10,025	10,025
Fines and Forfeitures	-	-	-	-	-	-
Intergovernmental	85,724	76,798	35,263	14,457	34,404	246,646
Special Assessments	-	-	-	-	-	-
Earnings on Investments	20,422	58	-	-	80	20,560
Miscellaneous	1,000	-	4,381	334	-	5,715
<b>Total Receipts</b>	<b>171,331</b>	<b>76,856</b>	<b>312,713</b>	<b>121,502</b>	<b>44,509</b>	<b>726,911</b>
<b>Disbursements</b>						
Current:						
General Government	133,029	-	-	-	-	133,029
Public Safety	442	-	-	57,735	5,491	63,668
Public Works	-	98,304	277,098	-	61,132	436,534
Health	22,113	-	-	-	-	22,113
Human Services	59	-	1,214	-	-	1,273
Conservation-Recreation	1,916	-	-	-	-	1,916
Other	-	-	-	-	552	552
Capital Outlay	934	-	13,913	7,152	-	21,999
Debt Service:						
Principal Retirement	-	-	-	82,571	-	82,571
Interest and Fiscal Charges	-	-	-	12,485	-	12,485
<b>Total Disbursements</b>	<b>158,493</b>	<b>98,304</b>	<b>292,225</b>	<b>159,943</b>	<b>67,175</b>	<b>776,140</b>
Excess of Receipts Over (Under) Disbursements	12,838	(21,448)	20,488	(38,441)	(22,666)	(49,229)
Fund Balances Beginning of Year	549,674	52,087	447,820	68,016	95,727	1,213,324
<b>Fund Balances End of Year</b>	<b>\$ 562,512</b>	<b>\$ 30,639</b>	<b>\$ 468,308</b>	<b>\$ 29,575</b>	<b>\$ 73,061</b>	<b>\$ 1,164,095</b>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 67,784	\$ 67,784	\$ 64,185	\$ (3,599)
Intergovernmental	80,521	80,521	85,724	5,203
Earnings on Investments	10,000	10,000	20,422	10,422
Miscellaneous	199	199	1,000	801
<i>Total receipts</i>	<u>158,504</u>	<u>158,504</u>	<u>171,331</u>	<u>12,827</u>
<b>Disbursements</b>				
Current:				
General Government	198,250	198,250	133,029	65,221
Public Safety	1,000	1,000	442	558
Health	26,000	26,000	22,113	3,887
Human Services	1,000	1,000	59	941
Conservation-Recreation	11,000	11,000	1,916	9,084
Capital Outlay	304,500	304,500	934	303,566
<i>Total Disbursements</i>	<u>541,750</u>	<u>541,750</u>	<u>158,493</u>	<u>383,257</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(383,246)</u>	<u>(383,246)</u>	<u>12,838</u>	<u>396,084</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	(166,296)	(166,296)	-	166,296
<i>Total Other Financing Sources (Uses)</i>	<u>(166,296)</u>	<u>(166,296)</u>	<u>-</u>	<u>166,296</u>
<i>Net Change in Fund Balance</i>	(549,542)	(549,542)	12,838	562,380
<i>Fund Balance Beginning of Year</i>	<u>549,674</u>	<u>549,674</u>	<u>549,674</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 132</u>	<u>\$ 132</u>	<u>\$ 562,512</u>	<u>\$ 562,380</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Intergovernmental	\$ 49,000	\$ 49,000	\$ 76,798	\$ 27,798
Earnings on Investments	646	646	58	(588)
<i>Total receipts</i>	<u>49,646</u>	<u>49,646</u>	<u>76,856</u>	<u>27,210</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>101,500</u>	<u>101,500</u>	<u>98,304</u>	<u>3,196</u>
<i>Total Disbursements</i>	<u>101,500</u>	<u>101,500</u>	<u>98,304</u>	<u>3,196</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(51,854)</u>	<u>(51,854)</u>	<u>(21,448)</u>	<u>30,406</u>
<i>Net Change in Fund Balance</i>	(51,854)	(51,854)	(21,448)	30,406
<i>Fund Balance Beginning of Year</i>	<u>52,087</u>	<u>52,087</u>	<u>52,087</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 233</u>	<u>\$ 233</u>	<u>\$ 30,639</u>	<u>\$ 30,406</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*Road & Bridge Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 259,735	\$ 259,735	\$ 273,069	\$ 13,334
Intergovernmental	33,224	33,224	35,263	2,039
Miscellaneous	1,545	1,545	4,381	2,836
<i>Total receipts</i>	<u>294,504</u>	<u>294,504</u>	<u>312,713</u>	<u>18,210</u>
<b>Disbursements</b>				
Current:				
Public Works	452,300	452,300	277,098	175,202
Human Services	2,000	2,000	1,214	786
Capital Outlay	288,000	288,000	13,913	274,088
<i>Total Disbursements</i>	<u>742,300</u>	<u>742,300</u>	<u>292,225</u>	<u>450,075</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(447,796)</u>	<u>(447,796)</u>	<u>20,488</u>	<u>468,285</u>
<i>Net Change in Fund Balance</i>	(447,796)	(447,796)	20,488	468,285
<i>Fund Balance Beginning of Year</i>	<u>447,820</u>	<u>447,820</u>	<u>447,820</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ 468,308</u>	<u>\$ 468,285</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire District Fund*

*For the Year Ended December 31, 2005*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 84,145	\$ 84,145	\$ 99,711	\$ 15,566
Charges for Services	7,210	7,210	7,000	(210)
Intergovernmental	22,712	22,712	14,457	(8,254)
Miscellaneous	206	206	334	128
<i>Total receipts</i>	<u>114,273</u>	<u>114,273</u>	<u>121,502</u>	<u>7,230</u>
<b>Disbursements</b>				
Current:				
Public Safety	68,650	68,650	57,735	10,914
Capital Outlay	17,700	17,700	7,152	10,548
Debt Service:				
Principal Retirement	83,000	83,000	82,571	429
Interest and Fiscal Charges	12,900	12,900	12,485	415
<i>Total Disbursements</i>	<u>182,250</u>	<u>182,250</u>	<u>159,943</u>	<u>22,306</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,978)</u>	<u>(67,978)</u>	<u>(38,441)</u>	<u>29,536</u>
<i>Net Change in Fund Balance</i>	(67,978)	(67,978)	(38,441)	29,536
<i>Fund Balance Beginning of Year</i>	<u>68,016</u>	<u>68,016</u>	<u>68,016</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ 29,575</u>	<u>\$ 29,536</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2004*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 637,562
Investments	<u>575,762</u>
<i>Total Assets</i>	<u><u>1,213,324</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	663,650
Unrestricted	<u>549,674</u>
<i>Total Net Assets</i>	<u><u>\$ 1,213,324</u></u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Activities - Modified Cash Basis*

*For the Year Ended December 31, 2004*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities</b>				
General Government	\$ 135,544	\$ -	\$ -	\$ (135,544)
Public Safety	55,350	20,661	-	(34,689)
Public Works	304,120	-	99,080	(205,040)
Health	22,898	-	-	(22,898)
Human Services	1,443	-	-	(1,443)
Conservation-Recreation	1,034	-	-	(1,034)
Other	1,825	-	-	(1,825)
Capital Outlay	196,243	-	-	(196,243)
Debt Service:				
Principal	82,571	-	-	(82,571)
Interest	16,729	-	-	(16,729)
<i>Total Governmental Activities</i>	<u>817,757</u>	<u>20,661</u>	<u>99,080</u>	<u>(698,016)</u>
<b>General Receipts</b>				
Property Taxes				421,148
Other Taxes				10,649
Grants and Entitlements not Restricted to Specific Programs				124,455
Earnings on Investments				9,650
Miscellaneous				7,598
<i>Total General Receipts</i>				<u>573,500</u>
Change in Net Assets				(124,516)
<i>Net Assets Beginning of Year</i>				<u>1,337,840</u>
<i>Net Assets End of Year</i>				<u>\$ 1,213,324</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	General	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 233,912	\$ 212,820	\$ 43,016	\$ 147,814	\$ 637,562
Investments	315,762	235,000	25,000	-	575,762
<i>Total Assets</i>	<u>549,674</u>	<u>447,820</u>	<u>68,016</u>	<u>147,814</u>	<u>1,213,324</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	549,674	-	-	-	549,674
Special Revenue Funds	-	447,820	68,016	147,814	663,650
<i>Total Fund Balances</i>	<u>\$ 549,674</u>	<u>\$ 447,820</u>	<u>\$ 68,016</u>	<u>\$ 147,814</u>	<u>\$ 1,213,324</u>

See accompanying notes to the basic financial statements



**EAST UNION TOWNSHIP, WAYNE COUNTY**  
*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2004*

	General	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$ 63,035	\$ 270,274	\$ 98,487	\$ -	\$ 431,796
Charges for Services	-	-	7,000	-	7,000
Licenses, Permits and Fees	-	-	-	13,661	13,661
Fines and Forfeitures	-	-	-	-	-
Intergovernmental	74,961	35,458	14,035	99,080	223,534
Special Assessments	-	-	-	-	-
Earnings on Investments	9,496	-	-	154	9,650
Miscellaneous	39	5,255	2,305	-	7,599
Total Receipts	<u>147,531</u>	<u>310,987</u>	<u>121,827</u>	<u>112,895</u>	<u>693,240</u>
<b>Disbursements</b>					
Current:					
General Government	135,544	-	-	-	135,544
Public Safety	442	-	53,230	1,677	55,349
Public Works	-	231,735	-	72,385	304,120
Health	22,898	-	-	-	22,898
Human Services	59	1,383	-	-	1,442
Conservation-Recreation	1,034	-	-	-	1,034
Other	-	-	-	-	-
Capital Outlay	1,485	192,603	2,155	-	196,243
Debt Service:					-
Principal Retirement	-	-	82,571	-	82,571
Interest and Fiscal Charges	-	-	16,730	-	16,730
Total Disbursements	<u>161,462</u>	<u>425,721</u>	<u>154,686</u>	<u>74,062</u>	<u>815,931</u>
Excess of Receipts Over (Under) Disbursements	(13,931)	(114,734)	(32,859)	38,833	(122,691)
<b>Other Financing (Uses)</b>					
Other Financing Uses	(1,825)	-	-	-	(1,825)
Net Change in Fund Balances	(15,756)	(114,734)	(32,859)	38,833	(124,516)
Fund Balances Beginning of Year	<u>565,430</u>	<u>562,554</u>	<u>100,875</u>	<u>108,981</u>	<u>1,337,840</u>
Fund Balances End of Year	<u>\$ 549,674</u>	<u>\$ 447,820</u>	<u>\$ 68,016</u>	<u>\$ 147,814</u>	<u>\$ 1,213,324</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*General Fund*

*For the Year Ended December 31, 2004*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 52,500	\$ 52,500	\$ 63,035	\$ 10,535
Intergovernmental	87,819	87,819	74,961	(12,858)
Earnings on Investments	15,000	15,000	9,496	(5,504)
Miscellaneous	900	900	39	(861)
<i>Total receipts</i>	<u>156,219</u>	<u>156,219</u>	<u>147,531</u>	<u>(8,688)</u>
<b>Disbursements</b>				
Current:				
General Government	194,838	194,838	135,544	59,294
Public Safety	1,000	1,000	442	558
Health	26,000	26,000	22,898	3,102
Human Services	1,000	1,000	59	941
Conservation-Recreation	11,000	11,000	1,034	9,966
Capital Outlay	304,500	304,500	1,485	303,015
<i>Total Disbursements</i>	<u>538,338</u>	<u>538,338</u>	<u>161,462</u>	<u>376,876</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(382,119)</u>	<u>(382,119)</u>	<u>(13,931)</u>	<u>368,188</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	-	-
Transfers Out	(183,096)	(183,096)	(1,825)	181,271
<i>Total Other Financing Sources (Uses)</i>	<u>(183,096)</u>	<u>(183,096)</u>	<u>(1,825)</u>	<u>181,271</u>
<i>Net Change in Fund Balance</i>	(565,215)	(565,215)	(15,756)	549,459
<i>Fund Balance Beginning of Year</i>	<u>565,430</u>	<u>565,430</u>	<u>565,430</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 215</u>	<u>\$ 215</u>	<u>\$ 549,674</u>	<u>\$ 549,459</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes*

*In Fund Balance - Budget and Actual -Budget Basis*

*Road & Bridge Fund*

*For the Year Ended December 31, 2004*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 255,900	\$ 255,900	\$ 270,274	\$ 14,374
Intergovernmental	32,256	32,256	35,458	3,202
Miscellaneous	1,500	1,500	5,255	3,755
<i>Total receipts</i>	<u>289,656</u>	<u>289,656</u>	<u>310,987</u>	<u>21,331</u>
<b>Disbursements</b>				
Current:				
Public Works	460,100	460,100	231,735	228,365
Human Services	2,000	2,000	1,383	617
Capital Outlay	390,100	390,100	192,603	197,497
<i>Total Disbursements</i>	<u>852,200</u>	<u>852,200</u>	<u>425,721</u>	<u>426,479</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(562,544)</u>	<u>(562,544)</u>	<u>(114,734)</u>	<u>447,810</u>
<i>Net Change in Fund Balance</i>	(562,544)	(562,544)	(114,734)	447,810
<i>Fund Balance Beginning of Year</i>	<u>562,554</u>	<u>562,554</u>	<u>562,554</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 447,820</u>	<u>\$ 447,810</u>

See accompanying notes to the basic financial statements

**EAST UNION TOWNSHIP, WAYNE COUNTY**

*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
Fire Fund*

*For the Year Ended December 31, 2004*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 83,000	\$ 83,000	\$ 98,487	\$ 15,487
Charges for Services	7,000	7,000	7,000	-
Intergovernmental	22,050	22,050	14,035	(8,015)
Miscellaneous	200	200	2,305	2,105
<i>Total receipts</i>	<u>112,250</u>	<u>112,250</u>	<u>121,827</u>	<u>9,577</u>
<b>Disbursements</b>				
Current:				
Public Safety	77,150	77,150	53,230	23,920
Capital Outlay	33,450	33,450	2,155	31,295
Debt Service:				-
Principal Retirement	85,500	85,500	82,571	2,929
Interest and Fiscal Charges	17,000	17,000	16,730	270
<i>Total Disbursements</i>	<u>213,100</u>	<u>213,100</u>	<u>154,686</u>	<u>58,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(100,850)</u>	<u>(100,850)</u>	<u>(32,859)</u>	<u>67,991</u>
<i>Net Change in Fund Balance</i>	(100,850)	(100,850)	(32,859)	67,991
<i>Fund Balance Beginning of Year</i>	<u>100,875</u>	<u>100,875</u>	<u>100,875</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 68,016</u>	<u>\$ 67,991</u>

See accompanying notes to the basic financial statements

## **EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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### **Note 1 – Reporting Entity**

The East Union Township, Wayne 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, cemetery maintenance, and fire and emergency medical services. The Township contracts with the City of Orrville, which provides fire protection services to the northeast section of the Township.

#### **B. Component Units**

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

East Union Township does not operate any component units.

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

### **Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, 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 modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Township's accounting policies.

## **EAST UNION TOWNSHIP, WAYNE COUNTY**

### Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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#### A. Basis of Presentation

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

#### Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government.

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

#### Fund Financial Statements

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

#### B. Fund Accounting

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

#### Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's only major governmental fund is the General Fund. The Township had three additional major funds, the Gasoline Tax Fund, Road and Bridge Fund, and the Fire District Fund. The Gasoline Tax Fund receives monies from the other Governmental Agencies designated specifically for use on road and bridge repair and maintenance. The Road and Bridge Fund receives property tax money to construct, maintain, and repair Township roads and bridges. The Fire District Fund receives tax revenues from special levies to pay for fire services provided to Township residents. 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.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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

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

**D. Budgetary Process**

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

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

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

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

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 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 of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005 and December 31, 2004.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$20,422 and \$9,496 for the period ending December 31, 2004.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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



**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 2 – Summary of Significant Accounting Policies** (continued)

**J. Accumulated Leave**

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

**K. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The Township's modified 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Township road and bridge maintenance and repair and Fire and Ambulance services to the Township residents.

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 had restricted funds totaling \$601,583 and \$663,650 on December 31, 2005 and December 31, 2004, respectively.

**N. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Miscellaneous Special Revenue – FEMA Fund is segregated to be specifically spent as a reimbursement to the Apple Creek Volunteer Fire Department for their FEMA work down in Belmont County. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office, along with a modified cash basis of accounting. This year the Township has implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. This change did not involve a restatement of fund equity.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and the major funds 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 difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)).

**Note 5 – Deposits and Investments**

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

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

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

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;

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

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 5 - Deposits and Investments** (continued)

3. 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.

Cash Deposits – At December 31, 2005, the carrying amount of the Township's cash deposits was \$570,414, while the banks balance was \$597,145. At December 31, 2004, the carrying amount of the Township's cash deposits was \$637,562, while the banks balance was \$678,926. In each year, \$100,000 of the bank balance was covered by federal depository insurance and the remaining was collateralized by securities specifically pledged by the financial institution to the Township.

Investments

As of December 31 the Township had the following investments:

	<u>12/31/05</u>	<u>12/31/04</u>
STAR Ohio	<u>\$ 593,681</u>	<u>\$575,762</u>

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 6– Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 and 2004 represent the collection of 2004 and 2005 taxes, respectively. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes, and the 2004 receipts represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005 and 2004, was \$6.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 and 2004 property tax receipts were based are as follows:

	<b>2005</b>	<b>2004</b>
Real Property		
Residential & Agriculture	\$86,997,830	\$83,611,720
Public Utility Property		
Personal	\$ 3,558,320	\$ 3,314,620
Tangible Personal Property	\$11,586,182	\$11,104,571
Total Assessed Value	<u>\$102,142,332</u>	<u>\$98,030,911</u>

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 and 2004 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTAMRA is as follows:

	<b>2005</b>	<b>2004</b>	
Legal Liability	\$2,000,000	\$2,000,000	Per Occurrence
Automobile Liability	\$2,000,000	\$2,000,000	Per Occurrence
Wrongful Acts	\$2,000,000	\$2,000,000	Per Occurrence
Property	\$7,089,529	\$6,276,158	Total Coverage

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years for both 2005 and 2004. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

**Note 8 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 8 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System (continued)**

The Township's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$14,822, \$14,312, and \$17,293, respectively. The full amount has been contributed for 2005, 2004 and 2003.

**Note 9 - Postemployment Benefits**

The 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 age and service retirees with ten 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 the retirement system is considered an Other Postemployment Benefit 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. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 355,287. OPERS net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

**EAST UNION TOWNSHIP, WAYNE COUNTY**

Notes to the Basic Financial Statements

For the Years Ended December 31, 2005 and 2004

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**Note 9 - Postemployment Benefits** (continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures the OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 10- Notes Payable**

A summary of the note transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
<u>Bond Anticipation Note</u>	5.14 %	\$247,716	\$ 0.00	\$82,571	\$165,145

The general obligation bonds were issued to finance the acquisition of a fire station, including all necessary appurtenances. The bonds will be repaid in annual installments over 7 years. The bond is backed by the full faith and credit of the Township and matures in 2007.

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

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$82,571	\$12,732	\$ 95,303
2007	<u>\$82,574</u>	<u>\$ 0</u>	<u>\$ 82,574</u>
Total	\$165,145	\$12,732	\$177,877

**Note 11 – Contingent Liabilities**

The Township is defendant in one lawsuit. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

East Union Township  
To the Trustees of East Union Township:

We have audited the financial statements of the East Union Township, Wayne County (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated August 24, 2006 wherein we noted the Township changed its financial presentation. 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, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that occur and not be detected within a timely period by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated August 24, 2006.

This report is intended solely for the information and use of the management, the Board of Trustees, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Ken Richards & Associates, LTD.*

Ken Richards & Associates, Ltd.  
August 24, 2006





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**EAST UNION TOWNSHIP**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 12, 2006**