



Mary Taylor, CPA  
Auditor of State



**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Union Township  
Champaign County  
2347 Talbott Road  
Mechanicsburg, Ohio 43044

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Champaign County, (the Township), as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township, Champaign County, as of December 31, 2008 and 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Fire District and Road District Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

August 19, 2009

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED**

This discussion and analysis of Union Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2008 are as follows:

- Net assets of governmental activities decreased \$12,841 or 3% change from the prior year.
- The Township's general receipts are primarily property taxes. These receipts represent \$178,882 or 49% of the total cash received for governmental activities during the year.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

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

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

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

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

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$441,062	\$453,903
Total Assets	<u>\$441,062</u>	<u>\$453,903</u>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Other Purposes	283,988	280,051
Unrestricted	157,074	173,852
Total Net Assets	<u>\$441,062</u>	<u>\$453,903</u>

As mentioned previously, net assets of governmental activities decreased \$12,841 or 3 percent during 2008.

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities.

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

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$ 17,562	\$ 23,060
Operating Grants and Contributions	100,294	117,498
Total Program Receipts	<u>117,856</u>	<u>140,558</u>
<b>General Receipts:</b>		
Property and Other Local Taxes	178,882	181,641
Grants and Entitlements Not Restricted to Specific Programs	47,715	37,450
Interest	11,943	19,193
Miscellaneous	10,460	20,060
Total General Receipts	<u>249,000</u>	<u>258,344</u>
Total Receipts	<u>366,856</u>	<u>398,902</u>

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

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

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
<b>Disbursements:</b>		
General Government	80,177	77,789
Public Safety	46,685	44,374
Public Works	178,275	194,824
Health	27,002	23,509
Capital Outlay	47,558	17,336
Total Disbursements	<u>379,697</u>	<u>357,832</u>
 Increase (Decrease) in Net Assets	 (12,841)	 41,070
 Net Assets, January 1, 2008	 <u>453,903</u>	 <u>412,833</u>
Net Assets, December 31, 2008	<u>\$441,062</u>	<u>\$453,903</u>

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

General receipts represent 68 percent of the Township's total receipts, and of this amount, 72 percent are local taxes. Unrestricted grants and entitlements, interest, and miscellaneous receipts make up the balance of the Township's general receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Trustees and Fiscal Officer.

Public Safety is services for fire protection. Public Works is mainly the services, supplies and materials needed to operate and maintain Township roads, while Health pertains to the County Health Department and cemetery operation costs.

**Governmental Activities**

If you look at the Statement of Activities, 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 disbursement for governmental activities is Public Works, which accounts for \$178,275 and 47 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 21 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

**(Table 3)  
Governmental Activities**

	<b>Total Cost of Services 2008</b>	<b>Net Cost of Services 2008</b>	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>
General Government	\$ 80,177	(\$ 77,230)	\$ 77,789	(\$ 72,394)
Public Safety	46,685	(37,400)	44,374	(37,748)
Public Works	178,275	(87,266)	194,824	(83,952)
Health	27,002	(12,387)	23,509	(5,844)
Capital Outlay	47,558	(47,558)	17,336	(17,336)
Total Expenses	<u>\$379,697</u>	<u>(\$261,841)</u>	<u>\$357,832</u>	<u>(\$217,274)</u>

The dependence upon property tax and intergovernmental receipts is apparent as 69 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$366,856 and disbursements of \$379,697.

**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.

Final budgeted receipts remained consistent with original budgeted receipts. The Township expended significantly less than the amount appropriated.

The General Fund's final disbursements were budgeted at \$260,161 while actual disbursements were \$106,008. The General Fund received more than expected and expended less than appropriated; therefore the increase in fund balance was \$157,074 more than expected.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

**Debt**

At December 31, 2008, the Township had no outstanding debt.

**Current Issues**

The challenge for all Governments including Township's is to provide quality services to the public while staying within the imposed restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. The Township is taking measures to reduce spending.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
UNAUDITED  
(Continued)**

**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 Vicki House, Fiscal Officer, Union Township, 2347 Talbott Road, Mechanicsburg, Ohio 43044.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2008**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$441,062
Total Assets	<u>441,062</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Other Purposes	283,988
Unrestricted	157,074
Total Net Assets	<u>\$441,062</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Assets</u>
		<u>Charges</u> <u>for Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Total</u>
<b>Governmental Activities</b>				
General Government	\$80,177	\$2,947		(\$77,230)
Public Safety	46,685		\$9,285	(37,400)
Public Works	178,275		91,009	(87,266)
Health	27,002	14,615		(12,387)
Capital Outlay	47,558			(47,558)
Total Governmental Activities	<u>\$379,697</u>	<u>\$17,562</u>	<u>\$100,294</u>	<u>(261,841)</u>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				178,882
Grants and Entitlements not Restricted to Specific Programs				47,715
Interest				11,943
Miscellaneous				10,460
Total General Receipts				<u>249,000</u>
Change in Net Assets				(12,841)
Net Assets Beginning of Year				<u>453,903</u>
Net Assets End of Year				<u>\$441,062</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$157,074	\$52,667	\$113,175	\$55,996	\$62,150	\$441,062
Total Assets	<u>157,074</u>	<u>52,667</u>	<u>113,175</u>	<u>55,996</u>	<u>62,150</u>	<u>441,062</u>
<b>Fund Balances</b>						
<b>Unreserved:</b>						
<b>Undesignated, Reported in:</b>						
General Fund	157,074					157,074
Special Revenue Funds		52,667	\$113,175	55,996	62,150	283,988
Total Fund Balances	<u>\$157,074</u>	<u>\$52,667</u>	<u>\$113,175</u>	<u>\$55,996</u>	<u>\$62,150</u>	<u>\$441,062</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Property and Other Local Taxes	\$53,344		\$46,527	\$59,326	\$19,685	\$178,882
Licenses, Permits and Fees	2,947				11,615	14,562
Intergovernmental	23,256	\$89,721	9,285	8,345	17,402	148,009
Interest	9,223	2,198			522	11,943
Miscellaneous	460			10,000	3,000	13,460
Total Receipts	<u>89,230</u>	<u>91,919</u>	<u>55,812</u>	<u>77,671</u>	<u>52,224</u>	<u>366,856</u>
<b>Disbursements</b>						
<b>Current:</b>						
General Government	80,177					80,177
Public Safety			46,685			46,685
Public Works	8,564	112,512		24,112	33,087	178,275
Health	15,012				11,990	27,002
Capital Outlay	2,255			38,537	6,766	47,558
Total Disbursements	<u>106,008</u>	<u>112,512</u>	<u>46,685</u>	<u>62,649</u>	<u>51,843</u>	<u>379,697</u>
Excess of Receipts Over (Under) Disbursements	<u>(16,778)</u>	<u>(20,593)</u>	<u>9,127</u>	<u>15,022</u>	<u>381</u>	<u>(12,841)</u>
Net Change in Fund Balances	(16,778)	(20,593)	9,127	15,022	381	(12,841)
Fund Balances Beginning of Year	<u>173,852</u>	<u>73,260</u>	<u>104,048</u>	<u>40,974</u>	<u>61,769</u>	<u>453,903</u>
Fund Balances End of Year	<u>\$157,074</u>	<u>\$52,667</u>	<u>\$113,175</u>	<u>\$55,996</u>	<u>\$62,150</u>	<u>\$441,062</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$52,250	\$52,250	\$53,344	\$1,094
Licenses, Permits and Fees	5,000	5,000	2,947	(2,053)
Intergovernmental	15,959	15,959	23,256	7,297
Interest	13,000	13,000	9,223	(3,777)
Other	100	100	460	360
Total receipts	<u>86,309</u>	<u>86,309</u>	<u>89,230</u>	<u>2,921</u>
<b>Disbursements</b>				
<b>Current:</b>				
General Government	105,990	105,990	80,177	25,813
Public Works	19,800	19,800	8,564	11,236
Health	16,176	16,176	15,012	1,164
Capital Outlay	118,195	118,195	2,255	115,940
Total Disbursements	<u>260,161</u>	<u>260,161</u>	<u>106,008</u>	<u>154,153</u>
Excess of Receipts (Under) Disbursements	<u>(173,852)</u>	<u>(173,852)</u>	<u>(16,778)</u>	<u>157,074</u>
Fund Balance Beginning of Year	<u>173,852</u>	<u>173,852</u>	<u>173,852</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$157,074</u>	<u>\$157,074</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$86,000	\$86,000	\$89,721	\$3,721
Interest	1,870	1,870	2,198	328
Total receipts	<u>87,870</u>	<u>87,870</u>	<u>91,919</u>	<u>4,049</u>
<b>Disbursements</b>				
<b>Current:</b>				
Public Works	<u>161,130</u>	<u>161,130</u>	<u>112,512</u>	<u>48,618</u>
Excess of Receipts (Under) Disbursements	<u>(73,260)</u>	<u>(73,260)</u>	<u>(20,593)</u>	<u>52,667</u>
Fund Balance Beginning of Year	<u>73,260</u>	<u>73,260</u>	<u>73,260</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$52,667</u></u>	<u><u>\$52,667</u></u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$49,346	\$49,346	\$46,527	(\$2,819)
Intergovernmental	5,454	5,454	9,285	3,831
Total receipts	<u>54,800</u>	<u>54,800</u>	<u>55,812</u>	<u>1,012</u>
<b>Disbursements</b>				
<b>Current:</b>				
Public Safety	<u>158,848</u>	<u>158,848</u>	<u>46,685</u>	<u>112,163</u>
Excess of Receipts Over (Under) Disbursements	<u>(104,048)</u>	<u>(104,048)</u>	<u>9,127</u>	<u>113,175</u>
Fund Balance Beginning of Year	<u>104,048</u>	<u>104,048</u>	<u>104,048</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$113,175</u></u>	<u><u>\$113,175</u></u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$62,328	\$62,328	\$59,326	(\$3,002)
Intergovernmental	7,272	7,272	8,345	1,073
Other			10,000	10,000
Total receipts	<u>69,600</u>	<u>69,600</u>	<u>77,671</u>	<u>8,071</u>
<b>Disbursements</b>				
<b>Current:</b>				
Public Works	70,574	70,574	24,112	46,462
Capital Outlay	<u>40,000</u>	<u>40,000</u>	<u>38,537</u>	<u>1,463</u>
Total Disbursements	<u>110,574</u>	<u>110,574</u>	<u>62,649</u>	<u>47,925</u>
Excess of Receipts Over (Under) Disbursements	<u>(40,974)</u>	<u>(40,974)</u>	<u>15,022</u>	<u>55,996</u>
Fund Balance Beginning of Year	<u>40,974</u>	<u>40,974</u>	<u>40,974</u>	
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$55,996</u>	<u>\$55,996</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**1. REPORTING ENTITY**

The Union Township, Champaign County, Ohio 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, component units and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, and cemetery maintenance. The Township contracts with the following for fire protection: Urbana Township, Pleasant Township, and Village of Mechanicsburg. Law enforcement protection is provided by the Champaign County Sheriff's Department.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

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

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

**Road District** – Receives property tax revenue for the maintenance and repair of roads.

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

**C. Basis of Accounting**

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

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Budgetary Process**

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

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

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

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

**E. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During 2008, the Township pooled a portion of the balance of several funds into a STAR Ohio account.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2007.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2008 was \$9,223 which includes \$5,257 assigned from other funds.

**F. 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.

**G. 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.

**H. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads, fire services, and cemetery operations. 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.

**3. 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, Gasoline Tax, Fire District, and Road District Funds prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The Township had no outstanding year end encumbrances.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

At year end, the Township had no un-deposited cash on hand.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$133,656 of the Township's bank balance of \$383,656 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

**B. Investments**

As of December 31, 2008, the Township's only investment was in STAR Ohio. The investment has a carrying value of \$97,294.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township has no investment policy; however it addresses interest rate risk by investing only in STAR Ohio, which is structured so the Township can meet its cash requirements for ongoing operations.

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.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**5. 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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2007, 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 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after April 1, 2008, on the true value as of December 31, 2007. 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, 2008, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

<b>Real Property</b>	
Residential	\$32,445,690
Agriculture	\$ 9,985,970
Commercial/Industrial/Mineral	\$ 1,539,200
<b>Public Utility Property</b>	
Real Property	
Personal	\$ 1,882,330
Tangible Personal Property	\$ 853,310
Total Assessed Value	<u>\$46,706,500</u>

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**A. Casualty Coverage**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**B. Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

**C. Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained earnings	\$29,852,866	\$29,921,614

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

**Township Contributions to OTARMA**

2006	\$7,256
2007	\$5,267
2008	\$5,457

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

**7. 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, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Township's contribution rate for OPERS in 2008 was 14 percent. The portion allocated to fund pension obligations was 7%. 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, 2008, 2007, and 2006 were \$5,149, \$5,470 and \$4,813 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

**8. POST EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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 maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members.

The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)**

**8. POST EMPLOYMENT BENEFITS (Continued)**

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. Actual employer contributions for 2008 were \$5,149. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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

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**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

This discussion and analysis of the Union Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased \$41,070 or 10% change from the prior year. The change was primarily due to a reduction in Gasoline Tax Fund expenditures.
- The Township's general receipts are primarily property taxes. These receipts represent \$181,641 or 46% of the total cash received for governmental activities during the year.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

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

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

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

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

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are classified as 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. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Fire District Fund, and Road District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**The Township as a Whole**

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

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$453,903	\$322,487
Investments		89,660
Total Assets	<u>453,903</u>	<u>412,147</u>
<b>Net Assets</b>		
<b>Restricted for:</b>		
Other Purposes	280,051	237,997
Unrestricted	<u>173,852</u>	<u>174,150</u>
Total Net Assets	<u>\$453,903</u>	<u>\$412,147</u>

As mentioned previously, net assets of governmental activities increased \$41,070 or 10% during 2007. The primary reasons contributing to the increase in cash balances was a reduction of expenditures in the Gasoline Tax Fund.

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

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$23,060	\$25,101
Operating Grants and Contributions	117,498	97,211
Total Program Receipts	<u>140,558</u>	<u>122,312</u>
<b>General Receipts:</b>		
Property and Other Local Taxes	181,641	177,719
Grants and Entitlements Not Restricted to Specific Programs	37,450	172,525
Interest	19,193	15,720
Miscellaneous	<u>20,060</u>	
Total General Receipts	<u>258,344</u>	<u>365,964</u>
Total Receipts	<u>398,902</u>	<u>488,276</u>

(Continued)

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Disbursements:</b>		
General Government	77,789	69,440
Public Safety	44,374	43,107
Public Works	194,824	177,159
Health	23,509	19,940
Capital Outlay	17,336	23,921
Total Disbursements	<u>357,832</u>	<u>333,567</u>
 Increase (Decrease) in Net Assets	 41,070	 154,709
 Net Assets, January 1, 2007 (restated)	 <u>412,833</u>	 <u>257,438</u>
 Net Assets, December 31, 2007	 <u><u>\$453,903</u></u>	 <u><u>\$412,147</u></u>

Program receipts represent only 35 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 65 percent of the Township's total receipts, and of this amount, 70 percent are local taxes. Unrestricted grants and entitlements, interest and miscellaneous revenues make up the balance of the Township's general receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of most of Trustees and Fiscal Officer.

Public Works is mainly the services, supplies and materials needed to maintain the Township roads. Public Safety is services for fire protection and Health pertains to the County Health Department and cemetery operation costs.

**Governmental Activities**

If you look at the Statement of Activities 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 Public Works, which account for \$194,824 and 55 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 22 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

(Table 3)  
**Governmental Activities**

	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>
General Government	\$ 77,789	(\$ 72,394)	\$ 69,440	(\$ 63,654)
Public Safety	44,374	(37,748)	43,107	(43,107)
Public Works	194,824	(83,952)	177,159	(79,948)
Health	23,509	(5,844)	19,940	(625)
Capital Outlay	17,336	(17,336)	23,921	(23,921)
Total Expenses	<u>\$357,832</u>	<u>(\$217,274)</u>	<u>\$333,567</u>	<u>(\$211,255)</u>

The dependence upon property and other local taxes is apparent as 61 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$398,902 and disbursements of \$357,832.

**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 General Fund's final disbursements were budgeted at \$251,128 while actual disbursements were \$109,230. The General Fund had actual expenditures greater than actual receipts which resulted in a fund balance decrease of \$298 from the prior year.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure, other than an annual inventory valuation of assets.

**Debt**

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

**Current Issues**

The challenge for all Governments including Township's is to provide quality services to the public while staying within the imposed restrictions imposed by limited, and in some cases, shrinking funding. We rely heavily on local taxes and have very little industry to support the tax base. The Township is taking measures to reduce spending to offset decreasing revenue in comparison to increasing expenses.

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Vicki House, Fiscal Officer, Union Township, 2347 Talbott Road, Mechanicsburg, Ohio 43044.

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**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2007**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$453,903
Total Assets	<u>453,903</u>
<b>Net Assets</b>	
<b>Restricted for:</b>	
Other Purposes	280,051
Unrestricted	173,852
Total Net Assets	<u>\$453,903</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
			Total
<b>Governmental Activities</b>			
General Government	\$77,789	\$5,395	(\$72,394)
Public Safety	44,374		(37,748)
Public Works	194,824		(83,952)
Health	23,509	17,665	(5,844)
Capital Outlay	17,336		(17,336)
Total Governmental Activities	\$357,832	\$23,060	(217,274)
<b>General Receipts</b>			
<b>Property Taxes Levied for:</b>			
General Purposes			181,641
Grants and Entitlements not Restricted to Specific Programs			37,450
Interest			19,193
Miscellaneous			20,060
Total General Receipts			258,344
Change in Net Assets			41,070
Net Assets Beginning of Year			412,833
Net Assets End of Year			\$453,903

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$173,852	\$73,260	\$104,048	\$40,974	\$61,769	\$453,903
Total Assets	<u>173,852</u>	<u>73,260</u>	<u>104,048</u>	<u>40,974</u>	<u>61,769</u>	<u>453,903</u>
<b>Fund Balances</b>						
<b>Unreserved:</b>						
<b>Undesignated (Deficit), Reported in:</b>						
General Fund	173,852					173,852
Special Revenue Funds		73,260	104,048	40,974	61,769	280,051
Total Fund Balances	<u>\$173,852</u>	<u>\$73,260</u>	<u>\$104,048</u>	<u>\$40,974</u>	<u>\$61,769</u>	<u>\$453,903</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Road District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts</b>						
Property and Other Local Taxes	\$51,123		\$49,375	\$62,148	\$18,995	\$181,641
Licenses, Permits and Fees	5,395				10,750	16,145
Intergovernmental	37,450	88,980	6,626	5,868	16,024	154,948
Interest	14,904	3,473			816	19,193
Miscellaneous	60	12,000			14,915	26,975
Total Receipts	<u>108,932</u>	<u>104,453</u>	<u>56,001</u>	<u>68,016</u>	<u>61,500</u>	<u>398,902</u>
<b>Disbursements</b>						
<b>Current:</b>						
General Government	77,789					77,789
Public Safety			44,374			44,374
Public Works	14,690	89,888		61,831	28,415	194,824
Health	10,390				13,119	23,509
Capital Outlay	6,361			2,500	8,475	17,336
Total Disbursements	<u>109,230</u>	<u>89,888</u>	<u>44,374</u>	<u>64,331</u>	<u>50,009</u>	<u>357,832</u>
Net Change in Fund Balances	(298)	14,565	11,627	3,685	11,491	41,070
Fund Balances Beginning of Year	<u>174,150</u>	<u>58,695</u>	<u>92,421</u>	<u>37,289</u>	<u>50,278</u>	<u>412,833</u>
Fund Balances End of Year	<u><u>\$173,852</u></u>	<u><u>\$73,260</u></u>	<u><u>\$104,048</u></u>	<u><u>\$40,974</u></u>	<u><u>\$61,769</u></u>	<u><u>\$453,903</u></u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$55,900	\$55,900	\$51,123	(\$4,777)
Licenses, Permits and Fees	4,000	4,000	5,395	1,395
Intergovernmental	14,529	14,529	37,450	22,921
Interest	2,100	2,100	14,904	12,804
Other	100	100	60	(40)
Total receipts	<u>76,629</u>	<u>76,629</u>	<u>108,932</u>	<u>32,303</u>
<b>Disbursements</b>				
<b>Current:</b>				
General Government	98,230	98,230	77,789	20,441
Public Works	19,500	19,500	14,690	4,810
Health	10,800	10,800	10,390	410
Capital Outlay	122,598	122,598	6,361	116,237
Total Disbursements	<u>251,128</u>	<u>251,128</u>	<u>109,230</u>	<u>141,898</u>
Excess of Receipts (Under) Disbursements	<u>(174,499)</u>	<u>(174,499)</u>	<u>(298)</u>	<u>174,201</u>
Net Change in Fund Balance	(174,499)	(174,499)	(298)	174,201
Fund Balance Beginning of Year	<u>174,150</u>	<u>174,150</u>	<u>174,150</u>	
Fund Balance End of Year	<u>(\$349)</u>	<u>(\$349)</u>	<u>\$173,852</u>	<u>\$174,201</u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$51,500	\$51,500	\$88,980	\$37,480
Interest	1,048	1,048	3,473	2,425
Other			12,000	12,000
Total receipts	<u>52,548</u>	<u>52,548</u>	<u>104,453</u>	<u>51,905</u>
<b>Disbursements</b>				
<b>Current:</b>				
Public Works	<u>111,243</u>	<u>111,243</u>	<u>89,888</u>	<u>21,355</u>
Excess of Receipts Over (Under) Disbursements	<u>(58,695)</u>	<u>(58,695)</u>	<u>14,565</u>	<u>73,260</u>
Fund Balance Beginning of Year	<u>58,695</u>	<u>58,695</u>	<u>58,695</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$73,260</u></u>	<u><u>\$73,260</u></u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$48,300	\$48,300	\$49,375	\$1,075
Intergovernmental	5,400	5,400	6,626	1,226
Total receipts	<u>53,700</u>	<u>53,700</u>	<u>56,001</u>	<u>2,301</u>
<b>Disbursements</b>				
<b>Current:</b>				
Public Safety	<u>146,121</u>	<u>146,121</u>	<u>44,374</u>	<u>101,747</u>
Excess of Receipts (Under) Disbursements	<u>(92,421)</u>	<u>(92,421)</u>	<u>11,627</u>	<u>104,048</u>
Fund Balance Beginning of Year	<u>92,421</u>	<u>92,421</u>	<u>92,421</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$104,048</u></u>	<u><u>\$104,048</u></u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
<b>Receipts</b>				
Property and Other Local Taxes	\$61,100	\$61,100	\$62,148	\$1,048
Intergovernmental	7,000	7,000	5,868	(1,132)
Total receipts	<u>68,100</u>	<u>68,100</u>	<u>68,016</u>	<u>(84)</u>
<b>Disbursements</b>				
<b>Current:</b>				
Public Works	65,066	65,066	61,831	3,235
Capital Outlay	40,000	40,000	2,500	37,500
Total Disbursements	<u>105,066</u>	<u>105,066</u>	<u>64,331</u>	<u>40,735</u>
Excess of Receipts Over (Under) Disbursements	<u>(36,966)</u>	<u>(36,966)</u>	<u>3,685</u>	<u>40,651</u>
Fund Balance Beginning of Year	<u>37,289</u>	<u>37,289</u>	<u>37,289</u>	
Fund Balance End of Year	<u><u>\$323</u></u>	<u><u>\$323</u></u>	<u><u>\$40,974</u></u>	<u><u>\$40,651</u></u>

*See accompanying notes to the basic financial statements.*

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**1. REPORTING ENTITY**

The Union Township, Champaign 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, fire protection, and cemetery maintenance. The Township contracts with the following for fire protection: Urbana Township, Pleasant Township, and the Village of Mechanicsburg. Law enforcement protection is provided by the Champaign County Sheriff's Department.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

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

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

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

**Road District** – Receives property tax revenue for the maintenance and repair of roads.

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

**C. Basis of Accounting**

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

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**D. Budgetary Process**

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

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

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

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

**E. Cash and Investments**

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

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

During 2007, the Township pooled a portion of the balance of several funds into a STAR Ohio account.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2007.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2007 was \$14,904 which includes \$7,750 assigned from other funds.

**F. 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.

**G. 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.

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

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

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for roads, fire services, and cemetery operations. 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.

**3. ACCOUNTING CHANGE**

The Mollie Cage Bequest Fund was previously classified as a Private Purpose Trust Fund based on the presumption that there was a binding trust agreement preventing the spending of the principal and restricting the use of the income. The Township does not have a copy of the trust agreement for this fund. While the Officials of the Township believe that the principal of this Fund is to be maintained and the interest earnings spent on the decorations for this individual's grave site, absent a trust agreement this Fund should be classified as a Special Revenue Fund for financial reporting purposes. This fund is classified in the category Other Governmental Funds in the accompanying financial statements. This reclassification had the following impact on the audited fund balances at December 31, 2006:

	<u>Other Governmental Funds</u>	<u>Private Purpose Trust Fund</u>
Balance December 31, 2006	\$49,592	\$686
Fund Classification Change	686	(686)
Balance January 1, 2007	<u>\$50,278</u>	<u>\$0</u>

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**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, Gasoline Tax Fund, Fire District, and Road District prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The Township had no outstanding year end encumbrances.

**5. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
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;

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**5. DEPOSITS AND INVESTMENTS (Continued)**

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.

At year end, the Township had no un-deposited cash on hand.

**A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$291,295 of the Township's bank balance of \$391,295 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

**B. Investments**

As of December 31, 2007, the Township's only investment was in STAR Ohio. The investment has a carrying value of \$94,864.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township has no investment policy; however it addresses interest rate risk by investing only in STAR Ohio, which is structured so the Township can meet its cash requirements for ongoing operations.

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.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

The full tax rate for all Township operations for the year ended December 31, 2007, was \$.0013 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

<b>Real Property</b>	
Residential	\$29,621,870
Agriculture	9,044,350
Commercial/Industrial/Mineral	1,452,960
<b>Public Utility Property</b>	
Real Property	
Personal	1,725,660
Tangible Personal Property	698,646
Total Assessed Value	<u><u>\$42,543,486</u></u>

**7. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

**A. Casualty Coverage**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**B. Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

**C. Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained earnings	\$29,852,866	\$29,921,614

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$5,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

**Township Contributions to OTARMA**

2005	\$8,572
2006	\$7,256
2007	\$5,267

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

**8. 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.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

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

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for OPERS for 2007 was 13.85 percent, 8.85% was to fund pension obligations. 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, 2008, 2007, and 2006 were \$5,470, \$4,813 and \$4,102 respectively; 100 percent has been contributed for 2008, 2007, and 2006.

**9. POST EMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

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

Benefits are advance-funded using the entry age normal actuarial cost method. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 %, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.30% based on additional annual pay increases.

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

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

**9. POST EMPLOYMENT BENEFITS (Continued)**

Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 % (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130. Actual employer contributions for 2007 which were used to fund other post-employment benefits were \$3,647.

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

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

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# Mary Taylor, CPA

Auditor of State

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

Union Township  
Champaign County  
2347 Talbott Road  
Mechanicsburg, Ohio 43044

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Township, Champaign County, (the Township) as of and for the years ended December 31, 2008 and 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 19, 2009, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

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

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

We noted certain matters that we reported to the Township's management in a separate letter dated August 19, 2009.

**Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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



**Mary Taylor, CPA**  
Auditor of State

August 19, 2009

**UNION TOWNSHIP  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Material Weakness – Revenue classification errors	No	Partially Corrected, reported in a separate letter to management of the Township.
2006-002	Ohio Rev. Code Section 5549.21 – competitive bidding procedures for the purchase of equipment.	N/A	Transaction type did not occur in current audit.
2006-003	Ohio Rev. Code Sections 5575.01 and 5575.02 – proper bidding procedures were not followed for a road project.	N/A	Transaction type did not occur in current audit.





Mary Taylor, CPA  
Auditor of State

UNION TOWNSHIP  
CHAMPAIGN 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  
SEPTEMBER 22, 2009