

UNION TOWNSHIP
UNION COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Union Township
22390 Connor Road
47 Railroad St.
Milford Center, Ohio 43045-0367

We have reviewed the *Independent Auditors' Report* of Union Township, Union County, prepared by Holbrook & Manter, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Mary Taylor, CPA
Auditor of State

December 9, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Union Township
Union County

We have audited the accompanying financial statements of Union Township, Union County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

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

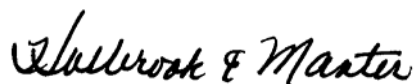
Instead of the combined funds the accompanying financial statements present for 2007 and 2006, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Union Township, Union County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2008 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

September 9, 2008

**UNION TOWNSHIP
UNION COUNTY**
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Memorandum Only</u>
CASH RECEIPTS:-					
Property tax and other local taxes	\$ 44,165	\$ 188,751	\$ 0	\$ 0	\$ 232,916
Intergovernmental receipts	27,253	119,771	0	0	147,024
Charges for services	0	14,975	0	0	14,975
Fines, forfeitures, and penalties	39	39	0	0	78
Licenses, permits, and fees	725	11,150	0	0	11,875
Earnings on investments	18,467	5,413	1,997	73	25,950
Special assessments	0	0	498	0	498
Miscellaneous	103	8,058	0	0	8,161
Total cash receipts	90,752	348,157	2,495	73	441,477
CASH DISBURSEMENTS:-					
Current:-					
General government	74,436	73,768	0	0	148,204
Public safety	0	31,950	0	0	31,950
Public works	0	38,265	484	0	38,749
Health	0	36,932	0	232	37,164
Human services	0	2,400	0	0	2,400
Debt Service:-					
Redemption of principal	975	15,211	0	0	16,186
Interest and fiscal changes	109	1,221	0	0	1,330
Capital outlay	103	36,201	0	0	36,304
Total cash disbursements	75,623	235,948	484	232	312,287
Total receipts over (under) cash disbursements	15,129	112,209	2,011	(159)	129,190
OTHER FINANCING RECEIPTS (DISBURSEMENTS):-					
Sale of fixed assets	0	1,300	0	0	1,300
Operating transfers-in	0	0	25,639	0	25,639
Operating transfers-out	(639)	(25,000)	0	0	(25,639)
Other financing sources	586	2,457	0	0	3,043
Total other financing receipts (disbursements)	(53)	(21,243)	25,639	0	4,343
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	15,076	90,966	27,650	(159)	133,533
Fund cash balances, January 1, 2007	61,714	356,943	26,272	1,803	446,732
Fund cash balances, December 31, 2007	\$ 76,790	\$ 447,909	\$ 53,922	\$ 1,644	\$ 580,265
Reserves for encumbrances, December 31, 2007	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Memorandum Only</u>
CASH RECEIPTS:-					
Property tax and other local taxes	\$ 43,570	\$ 185,771	\$ 0	\$ 0	\$ 229,341
Intergovernmental receipts	27,152	115,820	0	0	142,972
Charges for services	0	12,337	0	0	12,337
Fines, forfeitures, and penalties	427	427	0	0	854
Licenses, permits, and fees	2,000	9,750	0	0	11,750
Earnings on investments	17,269	4,226	2,664	96	24,255
Special assessments	0	0	498	0	498
Miscellaneous	251	14,723	0	0	14,974
Total cash receipts	90,669	343,054	3,162	96	436,981
CASH DISBURSEMENTS:-					
Current:-					
General government	73,828	71,839	0	0	145,667
Public safety	0	38,863	0	0	38,863
Public works	0	81,904	479	0	82,383
Health	0	31,455	0	0	31,455
Human services	0	3,470	0	0	3,470
Debt service:-					
Redemption of principal	471	10,288	0	0	10,759
Interest and fiscal changes	91	1,434	0	0	1,525
Capital outlay	4,469	41,580	52,000	0	98,049
Total cash disbursements	78,859	280,833	52,479	0	412,171
Total receipts over (under) cash disbursements	11,810	62,221	(49,317)	96	24,810
OTHER FINANCING RECEIPTS (DISBURSEMENTS):-					
Operating transfers-in	0	783	25,000	0	25,783
Operating transfers-out	0	(25,000)	(783)	0	(25,783)
Other financing sources	3,323	28,353	0	0	31,676
Total other financing receipts (disbursements)	3,323	4,136	24,217	0	31,676
Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements	15,133	66,357	(25,100)	96	56,486
Fund cash balances, January 1, 2006	46,581	290,586	51,372	1,707	390,246
Fund cash balances, December 31, 2006	\$ 61,714	\$ 356,943	\$ 26,272	\$ 1,803	\$ 446,732
Reserves for encumbrances, December 31, 2006	\$ 0	\$ 5,830	\$ 0	\$ 0	\$ 5,830

The notes to the financial statements are an integral part of this statement.

UNION TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

Description of the Entity - Union Township, Union County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly - elected three member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with Darby Township for fire services in part of the Township.

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

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

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

Cash and Investments - Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Township held no investments in 2007 and 2006.

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire and Emergency Fund

This fund receives fire tax levy money for funding fire and EMS services provided to the residents of the Township.

Gasoline Tax Fund

This fund receives gasoline tax money for constructing, maintaining, and repairing township roads.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Funds:

**UNION TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Miscellaneous Capital Projects

The Township received an Ohio Public Works Commission grant for Orchard Road improvements.

Permanent Fund- (classification for 2006 and thereafter)

During 2006, this fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, no principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Bequest Fund

Investment earnings are used to ensure the Woods cemetery is adequately maintained.

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Union County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Union County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

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

NOTE 2 - EQUITY IN POOLED CASH:-

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

	2007	2006
Deposits	\$579,946	\$446,732

Demand Deposits - The Township's deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**UNION TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2007 was as follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 83,134	\$ 91,338	\$ 8,204
Special Revenue	308,626	351,914	43,288
Capital Projects	26,125	28,134	2,009
Permanent	<u>0</u>	<u>73</u>	<u>73</u>
Total	\$ <u>417,885</u>	\$ <u>471,459</u>	\$ <u>53,574</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 88,779	\$ 76,262	\$ 12,517
Special Revenue	348,225	260,948	87,277
Capital Projects	1,020	484	536
Permanent	<u>0</u>	<u>232</u>	<u>(232)</u>
Total	\$ <u>438,024</u>	\$ <u>337,926</u>	\$ <u>100,098</u>

Contrary to Ohio law, during 2007, the budgetary expenditures exceeded the appropriation authority in the Permanent Fund by \$232.

**UNION TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 3 - BUDGETARY ACTIVITY:-

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 77,029	\$ 93,992	\$ 16,963
Special Revenue	312,777	372,190	59,413
Capital Projects	25,500	28,162	2,662
Permanent	<u>0</u>	<u>96</u>	<u>96</u>
Total	\$ <u>415,306</u>	\$ <u>494,440</u>	\$ <u>79,134</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 94,133	\$ 78,859	\$ 15,274
Special Revenue	348,348	305,833	42,515
Capital Projects	53,383	53,262	121
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>495,864</u>	\$ <u>437,954</u>	\$ <u>57,910</u>

**UNION TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 4 - PROPERTY TAX:-

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

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

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

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2007 was as follows:

		Principal Outstanding 12/31/2007
Huntington National Bank Dump truck loan 3.50%	\$	5,067
The Richwood Banking Co. Building loan 4.75%		15,528
Total	\$	20,595

In March 2004, the Township entered into a loan agreement with Huntington National Bank for the purchase of a used dump truck for snow plowing. The total proceeds from the loan were \$30,000. The terms of the note require five annual principal and interest payments of \$6,668 beginning on April 15, 2005 with an interest rate of 3.50%. In 2004, the Township made a principal payment of \$6,900 on this loan from the proceeds of the sale of the old dump truck. The balance of the note at December 31, 2007 was \$5,067.

In October 2005, the Township entered into a loan agreement with The Richwood Banking Company for the construction of a new building. The total proceeds from the loan were \$30,000. The terms of the note require annual principal and interest payments beginning in 2006 with an interest rate of 4.75%. The balance of the note at December 31, 2007 was \$15,528.

**UNION TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 5 - DEBT:- (continued)

Future minimum principal payments are as follows:

	Huntington National Bank		The Richwood Banking Co.			
	Dump Truck Loan 3.50%		Building Loan 4.75%			
	Principal	Interest	Principal	Interest	Total	Total
					Principal	Interest
2008	\$ 5,067	212	\$ 10,000	726	\$ 15,067	938
2009	0	0	5,528	251	5,528	251
Total	<u>\$ 5,067</u>	<u>212</u>	<u>\$ 15,528</u>	<u>977</u>	<u>\$ 20,595</u>	<u>1,189</u>

NOTE 6 - RETIREMENT SYSTEMS:-

The Township's full-time fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plan. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants, as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OP&F contributed 10% of their wages to the OP&F. The Township contributed an amount equal to 24% of their wages. During 2007 and 2006, PERS members contributed 9.5% and 9.0% of their gross salaries, respectively. The Township contributed an amount equal to 13.85% and 13.70% of participants' gross salaries for 2007 and 2006, respectively. The Township has paid all contributions required through December 31, 2007.

NOTE 7 - RISK POOL MANAGEMENT:-

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2006, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company (the Company) reinsured losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**UNION TOWNSHIP
UNION COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 7 - RISK POOL MANAGEMENT:- (continued)

Beginning in 2007, the Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. The Company provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years. Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) are represented to conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively.

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

**UNION TOWNSHIP
UNION COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 7 - RISK POOL MANAGEMENT:- (continued)

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 \$12,064. 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.

<u>Contributions to OTARMA</u>	
2006	12,194

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.

Prior to 2006 and during 2007, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over six hundred governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

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



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees
Union Township
Union County

We have audited the financial statements of Union Township, Union County, Ohio (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 9, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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.

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

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 9, 2008.

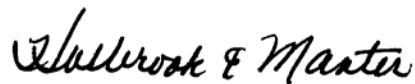
Compliance

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

We did note certain noncompliance or other matters that we reported to the Government's management in a separate letter dated September 9, 2008.

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

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



Certified Public Accountants

September 9, 2008



Mary Taylor, CPA
Auditor of State

UNION TOWNSHIP

UNION 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
DECEMBER 24, 2008**