

UNION TOWNSHIP

FINLEYVILLE, PENNSYLVANIA

ANNUAL FINANCIAL REPORT
AS OF DECEMBER 31, 2008

Cypher & Cypher

Accountants | Auditors | Advisors

UNION TOWNSHIP

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Independent Auditor's Report

Union Township
Finleyville, Pennsylvania

Gentlemen:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.E, Union Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Union Township as of December 31, 2008, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.E.

The management's discussion and analysis on Pages i through iv is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Township's basic financial statements. The accompanying combining balance sheet on Page 22 and the combining statement of cash receipts and disbursements and changes in cash basis net assets on Page 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining balance sheet, and the combining statement of cash receipts and disbursements and changes in cash basis net assets have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CYPHER & CYPHER

A handwritten signature in black ink that reads "Cypher Cypher". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

March 4, 2009
Canonsburg, Pennsylvania



Management's Discussion & Analysis

UNION TOWNSHIP
FINLEYVILLE, PENNSYLVANIA

Management's Discussion and Analysis (MD&A) December 31, 2008

Our discussion and analysis of Union Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2008. The MD&A should be read in conjunction with the financial statements and footnotes.

The Management Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999.

The Township

The Township is organized under laws of the Commonwealth of Pennsylvania. (the "Commonwealth").

The governing body of the Township is an elected Board of five supervisors.

Financial Highlights

Our financial statements provide these insights into the results of this year's operations. The General Fund and Capital Reserve Fund are our major funds that receive and spend most of our resources:

- The General fund reported an increase in fund balance of \$142,060.
- The Capital Reserve fund reported an increase in fund balance of \$39,722.
- The Non-major funds reported a net decrease in fund balance of \$(15,888).
- The Sewer fund was created in 2008 and reported an ending fund balance of \$200,869.

Reporting the Township as a Whole

The Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and its activities. These statements include all assets and liabilities that reflect the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

These two statements report the Township's net assets and changes in them. The change in net assets provides the reader with a tool to assist in determining whether the Township's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, current property tax laws, and facility conditions in arriving at a conclusion regarding the overall health of the Township.

The following table reflects the condensed Statement of Net Assets:

**Statement of Net Assets
As of December 31, 2008**

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and Other Assets	\$ 885,954	\$ 1,038,410	\$ -	\$ 206,456	\$ 885,954	\$ 1,244,866
Non Current Assets				282,722	0	282,722
Total Assets	<u>885,954</u>	<u>1,038,410</u>	<u>0</u>	<u>489,178</u>	<u>885,954</u>	<u>1,527,588</u>
Current and Other Liabilities	44,696	31,258		122,658	44,696	153,916
Non Current Liabilities				165,651	0	165,651
Total Liabilities	<u>44,696</u>	<u>31,258</u>	<u>0</u>	<u>288,309</u>	<u>44,696</u>	<u>319,567</u>
Invested in Capital Assets				111,688	-	111,688
Restricted	106,742	130,576			106,742	130,576
Unrestricted	734,516	876,576		89,181	734,516	965,757
Total Net Assets	<u>\$ 841,258</u>	<u>\$ 1,007,152</u>	<u>\$ -</u>	<u>\$ 200,869</u>	<u>\$ 841,258</u>	<u>\$ 1,208,021</u>

Assets, Liabilities & Net Assets

As of December 31, 2008 the Township had total assets of \$1.5 million. This amount represents principally cash, investments, and sewer fund fixed assets at year end.

Total liabilities as of December 31, 2008 totaled \$319,567. This amount consists of escrow account deposits, accounts payable, and long term sewer fund notes payable.

The resulting \$1,208,021 in net assets include \$111 thousand invested in capital assets, \$131 thousand reserved for various designated purposes and \$966 thousand of undesignated amounts not reserved for specific purposes.

The following table reflects Changes in Net Assets:

Fiscal year ended December 31, 2008
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2008	2007	2008	2007	2008
Program Revenues:						
Charges for Services	\$ 41,647	\$ 58,658	\$ -	\$ -	\$ 41,647	\$ 58,658
Operating Grants and Contributions	139,708	153,446		373,566	139,708	527,012
General Revenues:						
Property Taxes	381,097	410,066			381,097	410,066
Other Taxes	569,312	551,739			569,312	551,739
Grants Subsidies and Contributions	69,576	50,065			69,576	50,065
Other	151,040	289,715		642	151,040	290,357
	<u>1,352,380</u>	<u>1,513,689</u>	<u>-</u>	<u>374,208</u>	<u>1,352,380</u>	<u>1,887,897</u>
Expenditures:						
General Government	221,871	215,619			221,871	215,619
Public Safety	155,417	215,327			155,417	215,327
Health and Sanitation	4,942					
Highways and Streets	606,855	827,611			606,855	827,611
Culture and Recreation	3,183	6,006			3,183	6,006
Employee Benefits, Insurance, and Mis	80,490	82,157			80,490	82,157
Debt Service	1,656	1,075			1,656	1,075
Sewer Operations				7,787	-	7,787
	<u>1,074,414</u>	<u>1,347,795</u>	<u>-</u>	<u>7,787</u>	<u>1,069,472</u>	<u>1,355,582</u>
Change in Net Assets	<u>\$ 277,966</u>	<u>\$ 165,894</u>	<u>\$ -</u>	<u>\$ 366,421</u>	<u>\$ 282,908</u>	<u>\$ 532,315</u>

Revenues

Total revenues for the Township for 2008 amounted to \$1.8 million. Of this amount, \$961 thousand were from real estate and other taxes. Revenue from real estate and earned income taxes continues to be the primary source of revenue for the Township's operations.

Expenditures

Total Township spending for 2008 amounted to \$1.35 million. Highways and streets totaled \$827 thousand or 61%, general government totaled \$215 thousand or 16%, and public safety totaled \$215 or 16%. The remaining 7% was a combination of various other expenditure categories.

Financial Analysis of Governmental Funds

The following table reflects changes in fund balance:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Non-Major Funds</u>	<u>Combined Total</u>
December 31, 2007	\$ 734,516	\$ 94,657	\$ 12,085	\$ 841,258
Increase (Decrease)	142,060	39,722	(15,888)	165,894
December 31, 2008	<u>\$ 876,576</u>	<u>\$ 134,379</u>	<u>\$ (3,803)</u>	<u>\$ 1,007,152</u>

The increase in the General Fund is due to revenues exceeding expenditures during the year.

Debt Administration

The following table reflects the Township's long term debt obligations:

<u>Notes Payable</u>	<u>Sewer Notes Payable</u>	<u>Sick Days</u>	<u>Total</u>
\$ 92,042	\$ 171,034	\$ 20,528	\$ 283,604

The sewer note payable above is a PennVest note which was used to cover engineering costs related to the Elrama Sewerage Project.

General Fund Budgetary Highlights

For the year ended December 31, 2008, General Fund revenues were \$406 thousand above budgeted revenues, while expenditures were \$265 thousand above budgeted expenditures.

Contacting the Township's Financial Management

Our financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to illustrate the Township's accountability for the funds it receives. Questions concerning this report or a request for additional information should be addressed to Union Township, 3904 Finley Elrama Road, Finleyville, PA 15332, telephone (724) 348-4250.



Basic Financial Statements

UNION TOWNSHIP
STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008

	Governmental Activities	Business Activities	Total
ASSETS			
Current Assets:			
Cash and Deposits	\$ 205,773	\$ 207,216	\$ 412,989
Investments	831,036		831,036
Internal Balances	760	(760)	
Prepaid Expenses/Expenditures	841		841
Total Current Assets	<u>1,038,410</u>	<u>206,456</u>	<u>1,244,866</u>
Noncurrent Assets:			
Capital Assets (net)		282,722	282,722
Total Noncurrent Assets		<u>282,722</u>	<u>282,722</u>
TOTAL ASSETS	<u><u>\$ 1,038,410</u></u>	<u><u>\$ 489,178</u></u>	<u><u>\$ 1,527,588</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$	\$ 117,275	\$ 117,275
Current Portion of Noncurrent Liabilities		5,383	5,383
Deposits	31,258		31,258
Total Current Liabilities	<u>31,258</u>	<u>122,658</u>	<u>153,916</u>
Noncurrent Liabilities:			
Sewer Revenue Notes Payable		171,034	171,034
Less: Current Portion of Noncurrent Liabilities		(5,383)	(5,383)
Total Noncurrent Liabilities		<u>165,651</u>	<u>165,651</u>
Total Liabilities	31,258	288,309	319,567
NET ASSETS			
Invested in Capital Assets, Net of Related Debt and Inclusive of Long-Term Receivables		111,688	111,688
Restricted for:			
Capital Reserve	134,379		134,379
Other Reserves	(3,803)		(3,803)
Unrestricted	876,576	89,181	965,757
TOTAL NET ASSETS	<u>1,007,152</u>	<u>200,869</u>	<u>1,208,021</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,038,410</u></u>	<u><u>\$ 489,178</u></u>	<u><u>\$ 1,527,588</u></u>

UNION TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities						
General Government	\$ 215,619	\$ 5,412	\$	\$ (210,207)	\$	\$ (210,207)
Public Safety	215,327	52,796		(162,531)		(162,531)
Highways and Streets	827,611	100	153,446	(674,065)		(674,065)
Culture and Recreation	6,006	350		(5,656)		(5,656)
Employee Benefits, Insurance, and Miscellaneous	82,157			(82,157)		(82,157)
Debt Service	1,075			(1,075)		(1,075)
Total Governmental Activities	<u>1,347,795</u>	<u>58,658</u>	<u>153,446</u>	<u>(1,135,691)</u>		<u>(1,135,691)</u>
Business Type Activities						
Sewer Operations	<u>7,787</u>		<u>373,566</u>		<u>365,779</u>	<u>365,779</u>
Total Business Type Activities	<u>7,787</u>		<u>373,566</u>		<u>365,779</u>	<u>365,779</u>
Total Government	1,355,582	58,658	527,012	(1,135,691)	365,779	(769,912)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				410,066		410,066
Other Taxes				551,739		551,739
Grants, Subsidies and Contributions, Unrestricted				50,065		50,065
Investment Earnings				19,621		19,621
Fees and Charges for Services				74,846		74,846
Miscellaneous Income				195,890		195,890
Transfers Between Governmental Funds and External Parties				(642)	642	(0)
Total General Revenues, Special and Extraordinary Items and Transfers				<u>1,301,585</u>	<u>642</u>	<u>1,302,227</u>
Change in Net Assets				165,894	366,421	532,315
Net Assets - Beginning of Fiscal Year				841,258		841,258
Prior Period Adjustment					(165,552)	(165,552)
Net Assets - End of Fiscal Year				<u>\$ 1,007,152</u>	<u>\$ 200,869</u>	<u>\$ 1,208,021</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
BALANCE SHEET - CASH BASIS - GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008

	Governmental Funds			Totals
	General Fund	Capital Reserve Fund	Non-Major Funds	
ASSETS				
Cash and Deposits	\$ 186,424	\$	\$ 19,349	\$ 205,773
Investments (At Fair Value)	684,242	134,379	12,415	831,036
Interfund Receivable	10,324			10,324
Prepaid Expenditures			841	841
TOTAL ASSETS	<u>\$ 880,990</u>	<u>\$ 134,379</u>	<u>\$ 32,605</u>	<u>\$ 1,047,974</u>
LIABILITIES AND FUND BALANCES				
Interfund Payable	\$	\$	\$ 9,564	\$ 9,564
Deposits	4,414		26,844	31,258
Total Liabilities	<u>4,414</u>		<u>36,408</u>	<u>40,822</u>
FUND BALANCES				
Fund Balances -				
Reserved for Highways			910	910
Reserved for Capital Reserve		134,379		134,379
Reserved for Street Lighting and Fire Protection			(4,713)	(4,713)
Unreserved -				
Designated	422,923			422,923
Undesignated	453,653			453,653
Total Fund Balances	<u>876,576</u>	<u>134,379</u>	<u>(3,803)</u>	<u>1,007,152</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 880,990</u>	<u>\$ 134,379</u>	<u>\$ 32,605</u>	<u>\$ 1,047,974</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 AND CHANGES IN CASH BASIS NET ASSETS - GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008

	Governmental Funds			Totals
	General	Capital Reserve Fund	Non-Major Funds	
Revenues				
Real Estate Taxes	\$ 410,066	\$	\$	\$ 410,066
Local Enabling Taxes	551,739			551,739
Licenses and Permits	56,177			56,177
Fines and Forfeits	10,861			10,861
Interest and Rents	16,276	2,222	1,123	19,621
Intergovernmental Revenues	50,065		153,446	203,511
Departmental Earnings	133,504			133,504
Miscellaneous	41,132		8,601	49,733
Total Revenues	<u>1,269,820</u>	<u>2,222</u>	<u>163,170</u>	<u>1,435,212</u>
Expenditures				
Current:				
General Government	215,410		209	215,619
Public Safety	215,327			215,327
Highways and Streets	817,762		9,849	827,611
Culture and Recreation	6,006			6,006
Employee Benefits, Insurance, and Miscellaneous	82,157			82,157
Debt Service				
Principal and Interest	1,075			1,075
Refund of Prior Year Revenues	15,183			15,183
Total Expenditures	<u>1,352,920</u>		<u>10,058</u>	<u>1,362,978</u>
Revenues Over (Under) Expenditures	(83,100)	2,222	153,112	72,234
Other Financing Sources (Uses)				
Proceeds from Issuance of Debt	92,042			92,042
Sale of Fixed Assets	2,260			2,260
Interfund Transfers In	169,000	37,500		206,500
Interfund Transfers (Out)	(38,142)		(169,000)	(207,142)
Total Other Financing Sources	<u>225,160</u>	<u>37,500</u>	<u>(169,000)</u>	<u>93,660</u>
Net Change in Fund Balances	142,060	39,722	(15,888)	165,894
Fund Balances - January 1, 2008	<u>734,516</u>	<u>94,657</u>	<u>12,085</u>	<u>841,258</u>
Fund Balances - December 31, 2008	<u>\$ 876,576</u>	<u>\$ 134,379</u>	<u>\$ (3,803)</u>	<u>\$ 1,007,152</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BASIS NET ASSETS
BUDGET VS ACTUAL - GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under) Budget - Final
Revenues				
Real Estate Taxes	\$ 384,000	\$ 384,000	\$ 410,066	\$ 26,066
Local Enabling Taxes	505,000	505,000	551,739	46,739
Licenses and Permits	45,450	45,450	56,177	10,727
Fines and Forfeits	10,000	10,000	10,861	861
Interest and Rents	8,500	8,500	16,276	7,776
Intergovernmental Revenues	49,950	49,950	50,065	115
Departmental Earnings	106,775	106,775	133,504	26,729
Miscellaneous	15,600	15,600	41,132	25,532
Total Revenues	<u>1,125,275</u>	<u>1,125,275</u>	<u>1,269,820</u>	<u>144,545</u>
Expenditures				
General Government	267,690	267,690	215,410	(52,280)
Public Safety	202,000	202,000	215,327	13,327
Health and Sanitation	500	500		(500)
Highways and Streets	424,400	424,400	817,762	393,362
Culture and Recreation	8,200	8,200	6,006	(2,194)
Employee Benefits, Insurance, and Miscellaneous	160,985	160,985	82,157	(78,828)
Debt Service				
Principal and Interest			1,075	1,075
Refund of Prior Year Expenditures			15,183	15,183
Total Expenditures	<u>1,063,775</u>	<u>1,063,775</u>	<u>1,352,920</u>	<u>289,145</u>
Revenues Over (Under) Expenditures	61,500	61,500	(83,100)	(144,600)
Other Financing Sources (Uses)				
Proceeds from Issuance of Debt			92,042	92,042
Sales of Assets	1,000	1,000	2,260	1,260
Interfund Transfers In			169,000	169,000
Interfund Transfers (Out)	(62,500)	(62,500)	(38,142)	24,358
Total Other Financing Sources & (Uses)	<u>(61,500)</u>	<u>(61,500)</u>	<u>225,160</u>	<u>286,660</u>
Net Change in Fund Balances			142,060	142,060
Fund Equity - January 1, 2008	<u>734,516</u>	<u>734,516</u>	<u>734,516</u>	
Fund Equity - December 31, 2008	<u>\$ 734,516</u>	<u>\$ 734,516</u>	<u>\$ 876,576</u>	<u>\$ 142,060</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF NET ASSETS - PROPRIETARY FUND
AS OF DECEMBER 31, 2008

	<u>Sewer Operations</u>
ASSETS	
Current Assets:	
Cash and Deposits	\$ 207,216
Total Current Assets	<u>207,216</u>
Noncurrent Assets:	
Machinery and Equipment (Net of Depreciation)	282,722
Total Noncurrent Assets	<u>282,722</u>
TOTAL ASSETS	<u><u>\$ 489,938</u></u>
LIABILITIES	
Current Liabilities:	
Due to Other Funds	\$ 760
Accounts Payable	117,275
Current Portion of Noncurrent Liabilities	5,383
Total Current Liabilities	<u>123,418</u>
Noncurrent Liabilities:	
Sewage Revenue Notes Payable	171,034
Less: Current Portion of Noncurrent Liabilities	<u>(5,383)</u>
Total Noncurrent Liabilities	<u>165,651</u>
Total Liabilities	289,069
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	111,688
Unrestricted	<u>89,181</u>
Total Net Assets	<u>200,869</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 489,938</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Sewer Operations</u>
Operating Revenues	
Sewage Revenue	<u>\$</u>
Total Operating Revenue	
Operating Expenses	
Other Operating Expenses	160
Debt Service - Interest Expense	1,905
Depreciation	<u>5,722</u>
Total Operating Expenses	<u>7,787</u>
Operating Income (Loss)	(7,787)
Non-Operating Revenues (Expenses)	
Operating Subsidies	
State Subsidies	<u>373,566</u>
Total Non-Operating Revenue and Expense	<u>373,566</u>
Income (Loss) Before Transfers	365,779
Contributions and Transfers	
Transfers from General Fund	<u>642</u>
Change in Net Assets	366,421
Net Assets - Beginning of Year	
Prior Period Adjustment	<u>(165,552)</u>
Net Assets - End of Year	<u><u>\$ 200,869</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2008

	Sewer Operations
Cash Flows from Operating Activities:	
Cash Paid for Interest on Long-term Debt	\$ (1,305)
Net Cash Provided (Used) by Operating Activities	(1,305)
Cash Flows from Noncapital Financing Activities:	
Grants and Subsidies Received for Non-Operating Activities	
State Subsidies	373,566
Transfers from Other Funds	642
Net Cash Provided (Used) by Noncapital Financing Activities	374,208
Cash Flows from Capital and Related Financing Activities:	
Purchase of Fixed Assets	(171,169)
Net Cash Provided (Used) by Capital and Related Financing Activities	(171,169)
Cash Flows from Investing Activities:	
Principal payments on long-term debt	(1,966)
Proceeds from issuance of long-term debt	7,448
Net Cash Provided (Used) by Investing Activities	5,482
Net Increase (Decrease) in Cash and Equivalents	207,216
Cash and Equivalents, Beginning of Year	-
Cash and Cash Equivalents, End of Year	\$ 207,216
Cash Flows From Operating Activities:	
Operating Income	\$ (7,787)
Adjustments to Reconcile Net Income to Net	
Cash Provided by Operating Activities:	
Depreciation and Amortization	5,722
(Increase) Decrease in Due/From to Other Funds	760
Total Adjustments	6,482
Net Cash Provided (Used) by Operating Activities	\$ (1,305)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
 STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
 AS OF DECEMBER 31, 2008

	Pension Trust Funds
ASSETS	
Current Assets:	
Investments	\$ 624,271
Total Current Assets	624,271
 TOTAL ASSETS	 \$ 624,271
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$
Total Current Liabilities	_____
 NET ASSETS	
Unrestricted	624,271
Total Net Assets	624,271
 TOTAL LIABILITIES AND NET ASSETS	 \$ 624,271

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP
 STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
 AS OF DECEMBER 31, 2008

	<u>Pension Trust Funds</u>
Additions	
Investment Earnings	\$ 22,904
Total Additions	22,904
Deductions	
Investment Loss	\$ 208,488
Other Deductions	<u>12,351</u>
Total Deductions	<u>220,839</u>
Changes in Net Assets	(197,935)
Net Assets-Beginning of Year	<u>822,206</u>
Net Assets-End of Year	<u><u>\$ 624,271</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

UNION TOWNSHIP

Notes to the Basic Financial Statements

Year Ended December 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Union Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Township is a primary government organized within the laws of the Commonwealth of Pennsylvania. The Township is governed by an elected Board of Supervisors. The Township has the power of taxation and the ability to incur long term debt. As such, it is an independent governmental unit.

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and 1) the Township is able to significantly influence the programs or services performed or provided by the organization; or 2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes. There are no component units of Union Township.

B. Basis of Presentation

As discussed in Note 1.E, these financial statements are presented on a cash basis of accounting. This modified 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.

The Township also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

Following are the more significant of the Township's accounting policies:

The Township's basic financial statements consist of government-wide 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. The statements distinguish between those activities of the Township that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Township at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Township.

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts that are reported as interfund activity and balances are eliminated.

2. Fund Financial Statements

During the fiscal year, the Township segregates transactions related to certain Township functions or activities in separate funds in order 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. Fiduciary funds are reported by type.

C. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds

Governmental funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund and the Capital Reserve Fund are the Township's major governmental funds.

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

Capital Reserve Fund - The Capital Reserve Fund is used to account for major capital facilities and repairs. The major source of revenues for this fund is derived from transfers from the General Fund.

The other governmental funds of the Township are used to account for other resources. These include the Liquid Fuels Fund and the Street Lighting Fund. The Liquid Fuels Fund

and the Street Lighting Fund account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Street Light Fund has a deficit fund balance at year end of (\$4,713).

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following are the Township's proprietary funds:

Enterprise Fund

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Sewer Operations

The Sewer Operations Fund accounts for the financial transactions related to the sewer operations of the Township. This fund is the Township's only enterprise fund and it is reported as a major fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are sewer usage charges and or grant subsidies. Operating expenses for the Township's enterprise fund include sewer facility repairs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Township under a trust agreement for individuals, private organizations, or other governments and are not available to support the Township's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains one pension trust fund.

Trust Fund

Pension Trust Fund – Police Pension Fund – This is a trust fund established to account for revenues and pension expenditures of the Township's police pension fund. Pension trust funds are accounted for in essentially the same manner as governmental funds.

D. Measurement Focus:

In the government-wide Statement of Net Assets, and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined below.

In the fund financial statements, all governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statement present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

E. Basis of Accounting:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a cash basis of accounting. This basis involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions in the government-wide statements.

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.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Fiduciary funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

F. Budgets and Budgetary Accounting:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

Prior to December 31, the budget is legally enacted through passage of a resolution.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

The original budget was passed on December 17, 2007. The Township is permitted to amend the budget during the month of January next following any township election. The control level at which the budget must report is function and object.

The General Fund is the only fund for which a budget is required to be adopted.

At December 31st of each year, appropriations lapse and may not be carried forward.

Encumbrances are utilized to the extent necessary for the Township to maintain proper control over the budget. Open encumbrances at year-end lapse and are reappropriated in the next year's budget.

G. Cash and Investments:

The Township is permitted to invest funds consistent with sound business practices in the following types of investments and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Deposits

Below is a summary of the Township's deposits which are insured by the Federal Depository Insurance Company, and those which are not insured or collateralized in the Township's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	<u>FDIC Insured</u>	<u>Pooled Collateral</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and Deposits	<u>\$ 200,000</u>	<u>\$ 215,302</u>	<u>\$ 415,302</u>	<u>\$ 412,989</u>

Investments

The investments of the Township have been categorized to indicate the level of risk assumed by the Township. All investments are either investments, signifying that all are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name; or pooled investment funds which cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

Investments are stated at fair value.

The Township's investments at December 31, 2008 consist of:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Pennsylvania Local Government Investment Trust	\$ 831,036	\$ 831,036
PNC Trust – Police Pension Plan	<u>624,271</u>	<u>624,271</u>
Total	<u>\$ 1,455,307</u>	<u>\$ 1,455,307</u>

The Pennsylvania Local Government Investment Trust is an investment pool. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pool seeks to maintain the net assets value of \$1 per share, there can be no guarantee that the net asset values will not vary for this price. Regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

Note 2 – Property Taxes

Property taxes attach as an enforceable lien on property as of the second Monday in January. Taxes are levied on March 15 and are payable in one installment. The Township bills and collects its own property taxes through a locally elected tax collector. The tax levy for 2008 was based on assessed values on January 1, 2008 of \$34,256,511. The Township tax rate for the year ended December 31, 2008 is 12 mills as levied by the Township.

Taxes may be paid at a 2% discount until May 15, at face until July 15, and at a 10% penalty until the second Monday in January of the following year. At that time, they will be liened with the County, who then are responsible for their collections.

Note 3 – Changes in Capital Assets

The Township does not maintain a register of general fixed assets in accordance with generally accepted accounting principles.

Note 4 – General Long-Term Debt

Long-term debt is not accounted for in the Township's financial statements due to the use of the cash basis of accounting. The following is a summary of debt transactions of the Township for the year ended December 31, 2008.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, Loans & Leases Payable					
General Obligation Notes	\$ -	\$ 92,042	\$ -	\$ 92,042	\$ 21,253
		92,042	-	92,042	21,253
Other Liabilities:					
Post Retirement Benefits & Compensated Absences	87,633	5,216	(72,321)	20,528	
Total other Liabilities	87,633	5,216	(72,321)	20,528	-
Governmental Activities					
Long-Term Liabilities	\$ 87,633	\$ 97,258	\$ (72,321)	\$ 112,570	\$ 21,253

The amounts above include a liability for unused employee sick days upon retirement. Per employment contracts, accumulated sick days will be paid at 80%-100% of the employee base salary up to a maximum of one hundred twenty (120) days.

The Township entered into a general term loan note with National City Bank. The note consists of an interest rate of 5.25% and calls for four consecutive annual payments of \$26,153 beginning November 2009 and ending November 2012. The amount necessary to satisfy this note payable is \$92,042 as of December 31, 2008.

The amount needed to amortize all notes payable outstanding as of December 31, 2008 is as follows:

	Principal	Interest	Total
2009	\$ 21,253	\$ 4,900	\$ 26,153
2010	22,385	3,768	26,153
2011	23,576	2,577	26,153
2012	24,828	1,325	26,153
	<u>\$ 92,042</u>	<u>\$ 12,570</u>	<u>\$ 104,612</u>

The following is a summary of note transactions of the Sewer Fund for the year ended December 31, 2008:

	Pennvest
Balance 1-1-08	\$165,552
Issued	7,448
Refunded	
Retired	<u>(1,966)</u>
Balance 12-31-08	<u>\$171,034</u>

The PennVest note payable is a loan in which the proceeds are being used to cover engineering costs related to the Elrama Sewerage Project. The note consists of an interest rate of 1.020% and calls for 331 consecutive monthly payments of \$591.47 beginning January 2009 and ending July 2036. The amount necessary to satisfy this note payable is \$171,034 as of December 31, 2008.

The amount needed to amortize the Sewer Fund Notes Payable outstanding as of December 31, 2008 is as follows:

	Principal	Interest	Total
2009	\$ 5,383	\$ 1,715	\$ 7,098
2010	5,438	1,660	7,098
2011	5,494	1,604	7,098
2012	5,550	1,548	7,098
2013	5,607	1,491	7,098
2014-2018	28,907	6,579	35,486
2019-2023	30,421	5,065	35,486
2024-2028	32,011	3,475	35,486
2029-2033	33,684	1,802	35,486
2034-2036	18,539	252	18,791
Total	<u>\$ 171,034</u>	<u>\$ 25,191</u>	<u>\$ 196,225</u>

Note 5 – Pension Plans

Agent Single-Employer Defined Benefit Pension Plan Disclosure

The Township maintains one pension fund covering the police department. The Combined Balance Sheet for the Pension Trust Fund includes year 2008 net assets held in trust for pension benefits of \$624,271.

Plan Description. The Union Township Police Pension Plan (UTPPP) is a single employer defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). UTPPP provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are provided at the discretion of the Union Township Supervisors. The Plan was established under authority of the Union Township Supervisors and is subject to funding and reporting requirements of Commonwealth Act 205 of 1984 and Act 600. A separate financial report is issued by the Plan through the Plan actuary. That report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, Pennsylvania 17108-1165 or by calling 800-622-7968.

Funding Policy. The contribution requirements of plan members and the Township are established and may be amended by the Union Township Board of Supervisors. Plan members are not required to contribute to the Plan. The Commonwealth of Pennsylvania provides an allocation of funds that must be used for police pension funding. Any excess of this funding may be used to fund other plans of the Township.

Annual Pension Costs. For 2008, the Township's annual pension cost of \$-0- for the UTPPP was equal to the Township's required and actual contributions. The required contribution was determined as part of the January 1, 2007 actuarial valuation using the entry age normal actuarial cost method.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/04	\$ 18,374	100.0%	\$-0-
12/31/05	\$ 27,176	100.0%	\$-0-
12/31/06	\$ -0-	100.0%	\$-0-
12/31/07	\$ -0-	100.0%	\$-0-
12/31/08	\$ -0-	100.0%	\$-0-

Required Supplementary Information

Schedule of Funding Progress for UTPPP – (Most recent available information)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL – Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Covered Payroll	UAAL as percentage of Covered Payroll ((b-a)/c)
<u>1/1/2005</u>	<u>\$1,531,526</u>	<u>\$ 872,192</u>	<u>\$(659,334)</u>	<u>\$413,420</u>	<u>(159.5)%</u>

Summary financial information as of December 31, 2008 follows:

Total Assets	\$ 624,271
Total Liabilities	-0-
Net Assets Held in Trust for Pension Benefits	<u>\$ 624,271</u>
Total Additions	\$ 22,904
Total Expenditures and Other Uses	<u>(220,839)</u>
Change in Net Assets Held in Trust for Pension Benefits	<u>\$ (197,935)</u>

Road Workers Pension Description

The Township Road Workers are employed under the collective bargaining unit of the Teamsters Local No. 205 Road Workers. The contract included a provision for the Township's contribution to the Western Pennsylvania Teamsters and Employers Pension Fund of \$67 per week per full time employee. The weekly contribution is increased each year as stated in the contract. The amount of covered payroll included in the Road Workers Pension Plan was \$133,751 during 2008. The employer contributed \$14,204 to the Plan during 2008.

Note 6 – Compensated Absences & Other Post-Employment Benefits

The Township has made retirement benefits available to certain employees. The benefit is (1) payment for unused sick days at retirement. Since the dollar amount shown here is for employees who are eligible to retire at December 31, 2008, the total amount due would be considered long term because none of the employees had declared their retirement at December 31, 2008. With respect to other employees that do not meet the criteria established by the Township for retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to accumulate funds to provide for the payment of these liabilities. The dollar amounts of the benefits are as follows:

	Sick Day Liability	Total
December 31, 2007 Balance	\$ 87,633	\$ 87,633
Increases	5,216	5,216
Decreases	(72,321)	(72,321)
December 31, 2008 Balance	<u>\$ 20,528</u>	<u>\$ 20,528</u>

Note 7 - Contingent Liabilities

Union Township participates in grant programs sponsored by other governments. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended December 31, 2008 have not yet been conducted. Accordingly, the Township's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the Township expects such amounts to be immaterial.

Note 8 – Interfund Balances

Individual fund interfund receivable and payable balances at December 31, 2008 were:

<u>Interfund Receivable</u>	<u>Amount</u>	<u>Interfund Payable</u>	<u>Amount</u>
General Fund	\$ 10,324	Street Lighting Fund	\$ 9,564
		Sewer Fund	760
	<u>\$ 10,324</u>		<u>\$ 10,324</u>

During the year ended December 31, 2008, the following fund level transfer was made:

<u>Expending Fund</u>	<u>Amount</u>	<u>Receiving Fund</u>	<u>Amount</u>
Liquid Fuels	\$ 169,000	General Fund	\$ 169,000
General Fund	38,142	Capital Reserve Fund	37,500
		Sewer Fund	642
	<u>\$ 207,142</u>		<u>\$ 207,142</u>

Note 9 – Risk Management and Litigation

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township manages most risk through the general fund with the purchase of commercial insurance coverage.

The Township estimates that the amount of actual or potential claims against the Township as of December 31, 2008 will not materially affect the financial condition of the Township and will be covered under the present insurance coverage.

UNION TOWNSHIP
 COMBINING BALANCE SHEET - CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 AS OF DECEMBER 31, 2008

	Street Lighting Fund	Liquid Fuels Fund	Escrow Fund	Total
ASSETS				
Cash	\$ 4,010	\$ 910	\$ 15,339	\$ 19,349
Investments		910	11,505	12,415
Prepaid Expenses	841			841
TOTAL ASSETS	\$ 4,851	\$ 910	\$ 26,844	\$ 32,605
 LIABILITIES AND FUND EQUITY				
Liabilities				
Interfund Payable	\$ 9,564	\$	\$	\$ 9,564
Deposits			26,844	26,844
Total Liabilities	9,564		26,844	36,408
 Fund Equity				
Fund Balances				
Reserved for Street Lighting	(4,713)			(4,713)
Reserved for Highways		910		910
Total Fund Equity	(4,713)	910		(3,803)
TOTAL LIABILITIES AND FUND EQUITY	\$ 4,851	\$ 910	\$ 26,844	\$ 32,605

UNION TOWNSHIP
 COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 AND CHANGES IN CASH BASIS NET ASSETS
 NON-MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008

	<u>Street Lighting Fund</u>	<u>Liquid Fuels Fund</u>	<u>Escrow Fund</u>	<u>Total</u>
Revenues and Other Financing Sources				
Revenues				
Interest and Rents	\$	\$ 1,123	\$	\$ 1,123
Intergovernmental Revenues		153,446		153,446
Miscellaneous	8,401	200		8,601
Total Revenues and Other Financing Sources	8,401	154,769		163,170
Expenditures and Other Financing Uses				
Expenditures				
Current Operating				
General Government	209			209
Highways and Streets	9,849			9,849
Total Expenditures	10,058			10,058
Revenues Over (Under) Expenditures	(1,657)	154,769		153,112
Other Financing Sources (Uses)				
Interfund Transfers (Out)		(169,000)		(169,000)
Total Expenditures and Other Financing Uses				(169,000)
Revenues and Other Financing Sources over(under) Expenditures and Other Financing Uses				
	(1,657)	(14,231)		(15,888)
Fund Balance - January 1, 2008	(3,056)	15,141		12,085
Fund Balance - December 31, 2008	\$ (4,713)	\$ 910	\$	\$ (3,803)