



**AUBURN TOWNSHIP
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006



Mary Taylor, CPA
Auditor of State

**AUBURN TOWNSHIP
GEAUGA COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis – For the Year Ended December 31, 2007	3
Basic Financial Statements – 2007	
Government-wide Financial Statements – December 31, 2007:	
Statement of Net Assets – Cash Basis – December 31, 2007	9
Statement of Activities – Cash Basis – December 31, 2007	10
Fund Financial Statements – December 31, 2007:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2007.....	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – December 31, 2007	12
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2007	13
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Gasoline Fund – December 31, 2007.....	14
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Road and Bridge Fund – December 31, 2007.....	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Special Fire Levy Fund – December 31, 2007	16
Notes to the Basic Financial Statements – December 31, 2007	17
Management's Discussion and Analysis – For the Year Ended December 31, 2006	29
Basic Financial Statements – 2006	
Government-wide Financial Statements – December 31, 2006:	
Statement of Net Assets – Cash Basis – December 31, 2006	35
Statement of Activities – Cash Basis – December 31, 2006	36
Fund Financial Statements – December 31, 2006:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2006.....	37
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds – December 31, 2006	38

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – General Fund – December 31, 2006	39
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Gasoline Fund – December 31, 2006.....	40
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Road and Bridge Fund – December 31, 2006.....	41
Statement of Receipts, Disbursements and Changes in Fund Balances – Budget and Actual (Budget Basis) – Special Fire Levy Fund – December 31, 2006	42
Notes to the Basic Financial Statements – December 31, 2006	43
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	60



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Auburn Township
Geauga County
11010 East Washington Street
Chagrin Falls, Ohio 44023

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 Auburn Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, 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 Auburn Township, Geauga County, Ohio, as of December 31, 2007 and December 31, 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline, Road and Bridge and Special Fire Levy funds for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Government revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 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

March 27, 2009

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of Auburn Township, Geauga County, Ohio (the Township) 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 Township activities increased \$134,365 or 25.49 percent.

The Township's general receipts are primarily property taxes and grants and entitlements. The general receipts represent \$1,927,799 and 86.18 percent of the total cash received for Township activities during the year.

Auburn Township voters approved a levy in 2007. They passed a Replacement 1.0 Mill Road & Bridge Levy first voted in 1983. The replacement levy will generate an estimated \$241,118 in tax year 2008 (2009 collection) at 100% collection. This is a five-year levy that will expire in 2012.

Road paving projects cost the Township \$508,934 for chip seal of approximately 20 miles of Township roads at \$192,105 and cement stabilization and asphalt resurfacing of Bartholomew Road (Munn Road to Thorpe Road) at \$316,829.

Additional road department expenditures include: Asphalt Fabrics & Specialties, \$8,754; road salt, \$73,989; GAR Paving, \$5,293; Kokosing, \$6,724; Shalersville Asphalt, \$49,768; Szoka Excavating, \$19,313; Unique Paving, \$2,794; and Wheeler Landscaping, \$15,570.

A watershed event occurred in the Township. On June 23, 2007 the ZIP code for the whole Township became 44023. Thanks to a rider in a huge federal postal bill (35 years in the making), we were able to eliminate Burton 44021, Hiram 44234, Mantua 44255, and Aurora 44202 to become Auburn Township 44023 or Chagrin Falls 44023.

Adam Hall, the Township rental facility, received \$23,544, but cost the Township \$30,387.

A final payment in the amount of \$180,680 paid off the Cathan Farm property. The Township can now begin to plan active and passive uses for a future community ball field/park area.

A fence was installed along the northern property line of Mapleshade Cemetery, cost \$1,440, and some tree removal at Mapleshade cost \$3,050.

The Township received \$69,318 in estate tax for 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.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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.

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 and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each Township program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Township 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 nonfinancial factors as well as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities - All of the Township's basic services are reported here, including roads, fire, zoning, and cemeteries. Property taxes and intergovernmental grants and entitlements finance most of these activities. Benefits provided through Township activities are not necessarily paid for by the people receiving them.

The Township has no business-type activity.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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 governmental in nature.

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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major funds are the General, Gasoline Tax, Road and Bridge, Special Fire Levy and Property Funds. The programs reported in governmental funds are closely related to those reported in the Governmental activities section of the government-wide statements.

Proprietary Funds – The Township does not have proprietary funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township does not have Fiduciary Funds.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 and 2006.

(Table 1)			
Net Assets			
Governmental Activities			
	<u>2007</u>	<u>2006</u>	<u>Change</u>
Assets			
Cash and Cash Equivalents	<u>\$661,564</u>	<u>\$527,199</u>	<u>\$134,365</u>
Net Assets			
Restricted for:			
Debt Service	\$534	\$9,409	(8,875)
Capital Projects	87,989	6,192	81,797
Other Purposes	437,095	368,531	68,564
Unrestricted	<u>135,946</u>	<u>143,067</u>	<u>(7,121)</u>
Total Net Assets	<u>\$661,564</u>	<u>\$527,199</u>	<u>\$134,365</u>

As mentioned previously, net assets of Township activities increased \$134,365 or 25.49% during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- Increase in property tax revenue from passage of levy
- Increase in state and county funding

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

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

(Table 2)			
Changes in Net Assets			
	Governmental Activities		
	2007	2006	Change
<u>Receipts:</u>			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$31,835	\$70,304	(\$38,469)
Operating Grants and Contributions	85,416	82,404	3,012
Capital Grants and Contribution	<u>191,960</u>	<u>232,392</u>	<u>(40,432)</u>
Total Program Receipts	<u>309,211</u>	<u>385,100</u>	<u>(75,889)</u>
<i>General Receipts:</i>			
Property and Other Local Taxes	1,586,988	1,270,654	392,223
Grants and Entitlements Not Restricted to Specific Programs	221,695	404,369	(182,674)
Interest	46,032	37,457	8,575
Miscellaneous	<u>73,084</u>	<u>50,064</u>	<u>31,595</u>
Total General Receipts	<u>1,927,799</u>	<u>1,762,544</u>	<u>165,255</u>
Total Receipts	<u>2,237,010</u>	<u>2,147,644</u>	<u>89,366</u>
<u>Disbursements:</u>			
General Government	347,165	346,750	415
Public Safety	473,596	438,531	35,065
Public Works	1,014,202	747,559	266,643
Health	21,058	33,264	(12,206)
Conservation-Recreation	30,388	13,710	16,678
Capital Outlay	198,475	508,139	(309,664)
Debt Service	<u>17,761</u>	<u>18,485</u>	<u>(724)</u>
Total Disbursements	<u>2,102,645</u>	<u>2,106,438</u>	<u>(3,793)</u>
Increase (Decrease) in Net Assets	134,365	41,206	93,159
Net Assets, January 1, 2007	<u>527,199</u>	<u>485,993</u>	<u>41,206</u>
Net Assets, December 31, 2007	<u>\$661,564</u>	<u>\$527,199</u>	<u>134,365</u>

Program receipts represent only 13.82 percent of total receipts and are primarily comprised of restricted inter-Township receipts such as motor vehicle license and gas tax money, and zoning permit fees.

General receipts represent 86.18 percent of the Township's total receipts, and of this amount, 82.32 percent are property and local taxes. State and federal grants and entitlements not restricted make up a majority of the balance of the Township's general receipts (11.50 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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 trustees, and the fiscal officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Public Safety is the costs of fire protection and EMS services; Health is the cost of maintaining the cemeteries; Public Works is the cost of maintaining the roads. Public Health Services and Police Protection are provided by Geauga County.

Township Activities

If you look at the Statement of Activities on page 10, 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 Township activities are for public works and public safety, which account for 48.23 and 22.52 percent of all Township disbursements, respectively. General government also represents a significant cost, about 16.51 percent. The next three 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 for 2007 and 2006 in Table 3.

(Table 3)

	2007		2006	
	Total Cost Of Services	Net Cost Of Services	Total Cost Of Services	Net Cost Of Services
General Government	\$347,165	(\$319,130)	\$346,750	(\$306,641)
Public Safety	473,596	(422,296)	438,531	(386,609)
Public Works	1,014,202	(788,126)	747,559	(533,388)
Health	21,058	(17,258)	33,264	(30,334)
Conservation-Recreation	30,388	(30,388)	13,710	(13,710)
Capital Outlay	198,475	(198,475)	508,139	(432,171)
Debt Service	17,761	(17,761)	18,485	(18,485)
Total Expenses	<u>\$2,102,645</u>	<u>(\$1,793,434)</u>	<u>\$2,106,438</u>	<u>(\$1,721,338)</u>

The dependence upon property and other general receipts is apparent as over 86% of governmental activities are supported through these general receipts.

The Township's Funds

Total government funds had receipts of \$2,237,010 and disbursements of \$2,102,645. The greatest change within Township funds occurred within the Property fund. This fund showed an increase of \$81,797 due in large part to a transfer from the general fund to purchase land on which the Township plans to establish community ball parks.

General Fund receipts were less than disbursements by \$7,121.

The Road and Bridge fund showed an increase of \$17,150 from the continued collection of the 1 mill replacement levy.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

During 2007, the Township did not amend its General Fund budget. The difference between final budgeted receipts and actual receipts were intergovernmental receipts were less than expected.

Final receipts were budgeted at \$753,118. Actual receipts were \$644,974, \$108,144 less than the final budget amount. Final disbursements were budgeted at \$962,546. Actual disbursements, including transfers out were \$652,095, \$310,451 less than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Township has two truck loans outstanding during 2007, which have a balance as of December 31, 2007 of \$111,171.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base at the present time. We will have to adjust to the decrease in Personal Property Tax and Inheritance Tax.

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 Susan Plavcan, Fiscal Officer, Auburn Township, 11010 Washington Street, Auburn Township, OH 44023.

Auburn Township
Geauga County
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$661,564</u>
<i>Total Assets</i>	<u><u>\$661,564</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$87,989
Debt Service	534
Other Purposes	437,095
Unrestricted	<u>135,946</u>
<i>Total Net Assets</i>	<u><u>\$661,564</u></u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga 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	Capital Grants and Contributions	Assets Governmental Activities
Governmental Activities					
General Government	\$347,165	\$28,035	\$0	\$0	(\$319,130)
Public Safety	473,596	0	51,300	0	(422,296)
Public Works	1,014,202	0	34,116	191,960	(788,126)
Health	21,058	3,800	0	0	(17,258)
Conservation-Recreation	30,388	0	0	0	(30,388)
Capital Outlay	198,475	0	0	0	(198,475)
Debt Service:					
Principal Retirement	16,400	0	0	0	(16,400)
Interest and Fiscal Charges	1,361	0	0	0	(1,361)
Total	\$2,102,645	\$31,835	\$85,416	\$191,960	(1,793,434)
		General Receipts			
		Property Taxes Levied for:			
					303,632
					845,676
					437,680
					221,695
					46,032
					73,084
					<u>1,927,799</u>
					Change in Net Assets 134,365
					<u>Net Assets Beginning of Year 527,199</u>
					<u>Net Assets End of Year \$661,564</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Property	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$135,946	\$126,947	\$233,731	\$58,852	\$87,989	\$18,099	\$661,564
<i>Total Assets</i>	<u>\$135,946</u>	<u>\$126,947</u>	<u>\$233,731</u>	<u>\$58,852</u>	<u>\$87,989</u>	<u>\$18,099</u>	<u>\$661,564</u>
Fund Balances							
Unreserved:							
Undesignated Reported in:							
General Fund	\$135,946	\$0	\$0	\$0	\$0	\$0	\$135,946
Special Revenue Funds	0	126,947	233,731	58,852	0	17,565	437,095
Debt Service Fund	0	0	0	0	0	534	534
Capital Projects Funds	0	0	0	0	87,989	0	87,989
<i>Total Fund Balances</i>	<u>\$135,946</u>	<u>\$126,947</u>	<u>\$233,731</u>	<u>\$58,852</u>	<u>\$87,989</u>	<u>\$18,099</u>	<u>\$661,564</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Property	Other Governmental Funds	Total Governmental Funds
Receipts							
Property Taxes	\$303,632	\$0	\$845,676	\$437,680	\$0	\$0	\$1,586,988
Licenses, Permits and Fees	28,035	0	0	0	0	3,800	31,835
Intergovernmental	221,695	102,671	102,349	51,300	0	21,056	499,071
Interest	28,783	15,380	0	242	0	1,627	46,032
Other	62,829	0	0	0	200	10,055	73,084
<i>Total Receipts</i>	<u>644,974</u>	<u>118,051</u>	<u>948,025</u>	<u>489,222</u>	<u>200</u>	<u>36,538</u>	<u>2,237,010</u>
Disbursements							
Current:							
General Government	318,105	0	0	29,060	0	0	347,165
Public Safety	0	0	0	473,596	0	0	473,596
Public Works	13,872	59,250	913,080	0	0	28,000	1,014,202
Health	16,853	0	0	0	0	4,205	21,058
Conservation-Recreation	30,388	0	0	0	0	0	30,388
Capital Outlay	0	0	17,795	0	180,680	0	198,475
Debt Service:							
Principal Retirement	0	0	0	0	0	16,400	16,400
Interest and Fiscal Charges	0	0	0	0	0	1,361	1,361
<i>Total Disbursements</i>	<u>379,218</u>	<u>59,250</u>	<u>930,875</u>	<u>502,656</u>	<u>180,680</u>	<u>49,966</u>	<u>2,102,645</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>265,756</u>	<u>58,801</u>	<u>17,150</u>	<u>(13,434)</u>	<u>(180,480)</u>	<u>(13,428)</u>	<u>134,365</u>
Other Financing Sources (Uses)							
Transfers In	0	0	0	0	262,277	10,600	272,877
Transfers Out	(272,877)	0	0	0	0	0	(272,877)
<i>Total Other Financing Sources (Uses)</i>	<u>(272,877)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>262,277</u>	<u>10,600</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(7,121)	58,801	17,150	(13,434)	81,797	(2,828)	134,365
<i>Fund Balances Beginning of Year</i>	<u>143,067</u>	<u>68,146</u>	<u>216,581</u>	<u>72,286</u>	<u>6,192</u>	<u>20,927</u>	<u>527,199</u>
<i>Fund Balances End of Year</i>	<u>\$135,946</u>	<u>\$126,947</u>	<u>\$233,731</u>	<u>\$58,852</u>	<u>\$87,989</u>	<u>\$18,099</u>	<u>\$661,564</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$299,055	\$299,055	\$303,632	\$4,577
Licenses, Permits and Fees	32,736	32,736	28,035	(4,701)
Intergovernmental	314,354	314,354	221,695	(92,659)
Interest	33,609	33,609	28,783	(4,826)
Other	73,364	73,364	62,829	(10,535)
<i>Total Receipts</i>	<u>753,118</u>	<u>753,118</u>	<u>644,974</u>	<u>(108,144)</u>
Disbursements				
Current:				
General Government	534,550	534,550	318,105	216,445
Public Works	35,210	35,210	13,872	21,338
Health	42,777	42,777	16,853	25,924
Conservation-Recreation	77,132	77,132	30,388	46,744
<i>Total Disbursements</i>	<u>689,669</u>	<u>689,669</u>	<u>379,218</u>	<u>310,451</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	63,449	63,449	265,756	202,307
Other Financing Uses				
Transfers Out	(272,877)	(272,877)	(272,877)	0
<i>Net Change in Fund Balance</i>	(209,428)	(209,428)	(7,121)	202,307
<i>Fund Balance Beginning of Year</i>	<u>143,067</u>	<u>143,067</u>	<u>143,067</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$66,361)</u>	<u>(\$66,361)</u>	<u>\$135,946</u>	<u>\$202,307</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$51,835	\$51,835	\$102,671	\$50,836
Interest	7,765	7,765	15,380	7,615
<i>Total Receipts</i>	59,600	59,600	118,051	58,451
Disbursements				
Current:				
Public Works	127,746	127,746	59,250	68,496
<i>Net Change in Fund Balance</i>	(68,146)	(68,146)	58,801	126,947
<i>Fund Balance Beginning of Year</i>	68,146	68,146	68,146	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$126,947	\$126,947

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge 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>	
Receipts				
Property Taxes	\$807,991	\$901,924	\$845,676	(\$56,248)
Intergovernmental	97,788	109,156	102,349	(6,807)
<i>Total Receipts</i>	<u>905,779</u>	<u>1,011,080</u>	<u>948,025</u>	<u>(63,055)</u>
Disbursements				
Current:				
Public Works	1,062,690	1,062,690	913,080	149,610
Capital Outlay	20,711	20,711	17,795	2,916
<i>Total Disbursements</i>	<u>1,083,401</u>	<u>1,083,401</u>	<u>930,875</u>	<u>152,526</u>
<i>Net Change in Fund Balance</i>	(177,622)	(72,321)	17,150	89,471
<i>Fund Balance Beginning of Year</i>	<u>216,581</u>	<u>216,581</u>	<u>216,581</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$38,959</u></u>	<u><u>\$144,260</u></u>	<u><u>\$233,731</u></u>	<u><u>\$89,471</u></u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy 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>	
Receipts				
Property Taxes	\$429,820	\$429,820	\$437,680	\$7,860
Intergovernmental	50,379	50,379	51,300	921
Interest	238	238	242	4
<i>Total Receipts</i>	<u>480,437</u>	<u>480,437</u>	<u>489,222</u>	<u>8,785</u>
Disbursements				
Current:				
General Government	30,370	30,370	29,060	1,310
Public Safety	494,951	494,951	473,596	21,355
<i>Total Disbursements</i>	<u>525,321</u>	<u>525,321</u>	<u>502,656</u>	<u>22,665</u>
<i>Net Change in Fund Balance</i>	(44,884)	(44,884)	(13,434)	31,450
<i>Fund Balance Beginning of Year</i>	<u>72,286</u>	<u>72,286</u>	<u>72,286</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$27,402</u>	<u>\$27,402</u>	<u>\$58,852</u>	<u>\$31,450</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 1 – Reporting Entity

Auburn Township (the “Township”), Geauga County, Ohio is a body politic and corporate established in 1817 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 bridges, and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department for fire protection and EMS service and is funded by township levy. Police protection is provided by the Geauga County Sheriff’s Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization’s governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization’s resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

C. Public Entity Risk Pools

The Township participates in one public entity risk pool. Note 7 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority, which is a risk-sharing pool available to Ohio townships for property and casualty coverage.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a 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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Special Fire Levy and Property Funds.

The General Fund is the general operating fund, 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 Gasoline Tax Fund is required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designed for maintenance of roads within the Township.

The Road and Bridge Fund is required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of roads within the Township.

The Special Fire Levy Fund accounts for levy receipts used to provide fire and EMS services to the township and surrounding townships through mutual aid agreements.

The Property Fund accounts for various capital projects throughout the township.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

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 certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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

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, respectively.

During 2007, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (Continued)

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$28,783 which includes \$1,424 assigned from other Township funds.

F. Inventory and Prepaid Items

On the cash basis of accounting, the Township reports inventories of supplies as disbursements when purchased. 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. Accumulated Leave

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

I. 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.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities loan obligations. Since recording a capital asset when entering into a loan for a truck is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

K. 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 road maintenance, improvement and materials (gas tax, road and bridge funds), and fire protection and EMS (fire fund). 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.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Compliance

The general fund had original and final appropriations in excess of estimated resources plus carryover balances in the amount of \$66,361, which is contrary to Section 5705.39, Revised Code.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 3 – Compliance (Continued)

The property fund had expenditures in excess of appropriations in the amount of \$148,739, which is contrary to Section 5705.41(B), Revised Code.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund and Special Fire Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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;

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Deposits and Investments (Continued)

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.

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, \$706,879 of the Township's bank balance of \$806,879 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. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

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.

Investments

As of December 31, 2007, the Township had an investment in STAR Ohio for \$40,578 with an average maturity of 41 days.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with 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.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property and public utility 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 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property assessments are being

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 6 – Property Taxes (Continued)

phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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 \$11.17 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:

Real Property	
Residential	\$199,832,220
Agricultural	20,561,070
Commercial/Industrial/Mineral	13,974,390
Tangible Personal Property	
Business	1,966,160
Public Utility	3,349,830
Total Assessed Value	\$239,683,670

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 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 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 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.

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.

Auburn Township
 Geauga County
 Notes to the Financial Statements
 For the Year Ended December 31, 2007

Note 7 – Risk Management (Continued)

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 township.

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

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	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The 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 \$11,000. 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.

<u>Year</u>	<u>Contribution</u>
2007	\$11,989
2006	\$16,226
2005	\$16,197

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 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.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll.

The Township's contribution rate for 2007 was 13.85 percent. A portion of the Township's contribution equal to 5.00 percent of covered payroll was the portion that was used to fund health care for the first half of 2007 and 6.00 percent of covered payroll was the portion that was used to fund health care for the second half of 2007. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$20,789, \$25,614, and \$26,881, respectively. The full amount has been contributed for 2007, 2006 and 2005. There were no contributions to the member-directed plan for 2007.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 9 - Postemployment Benefits (Continued)

Disclosures for the healthcare plan are provided separately in the OPERS financial report which 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.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5 percent of covered payroll from January 1 through June 30, 2007, and 6 percent from July 1 through December 31, 2007CY.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$13,693, \$10,487, and \$11,259 respectively; 100 percent has been contributed for 2007, 2006, and 2005.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which 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.

Note 10 – Debt

The changes to the debt outstanding during the year were as follows:

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
2004 Truck Loan 4.15%	\$32,800	\$0	\$16,400	\$16,400	\$16,400
2007 Truck Loan 4.19%	0	94,771	0	94,771	22,204
	<u>\$32,800</u>	<u>\$94,771</u>	<u>\$16,400</u>	<u>\$111,171</u>	<u>\$38,604</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2008	\$38,604	\$4,421	\$43,025
2009	23,203	3,041	26,244
2010	24,176	2,068	26,244
2011	<u>25,188</u>	<u>1,056</u>	<u>26,244</u>
Total	<u>\$111,171</u>	<u>\$10,585</u>	<u>\$121,756</u>

The debt will be paid from the debt service fund.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Debt (Continued)

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$25,166,785 and an unvoted debt margin of \$ 13,182,602.

Note 13 – Interfund Transfers

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Property Fund	\$262,277
Motor Vehicle License Tax Fund	10,600
Total Transfers from the General Fund	<u>\$272,877</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The general fund transfer to the motor vehicle license tax special revenue fund was to subsidize this fund for the year. The general fund transfer to the property capital projects fund was to move its portion of inheritance tax monies that were to be used for capital projects.

This page intentionally left blank.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of Auburn Township, Geauga County, Ohio (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, 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 2006 are as follows:

Net assets of Township activities increased \$41,206 or 8.48 percent.

The Township's general receipts are primarily property taxes and grants and entitlements. The general receipts represent \$1,762,544 and 82.07 percent of the total cash received for Township activities during the year.

Auburn Township voters approved two levies in 2006. They passed a Replacement 1.0 Mill Road & Bridge Levy first voted in 1996. The replacement levy will generate an estimated \$231,168 in 2007 at 100% collection. That is an increase of \$78,754 over a renewal of the same levy.

The voters also approved passage of a renewal of a 1.67 Mill Fire Levy first voted in 1996. The renewal will generate an estimated \$254,533 in 2007 at 100% collection.

Road paving projects cost the Township \$200,438 for Derbyshire Estates work on Derbyshire Lane, Colchester and Ascot Lane; and \$168,576 for White Oak Drive.

Adam Hall, the Township rental facility, was used for 24 events. It is not a money making facility as yet but receives good comments from residents. The largest expenses were tables for \$2,300, a Kinetico water system for \$2,600, Gillmore Security System at \$7,508, Wheeler Landscaping at \$2,328, Sunrise Nursery at \$4,000, and Doran Signs at \$1,150.

The Township paid \$446,256 to the Western Reserve Land Conservancy during 2006 toward the purchase of the Cathan Farm property. It is 67.92 acres purchased under a conservation easement for the eventual public use as a community park with 25-passive-use acres and the remainder forested acreage.

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.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each Township program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Township 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 nonfinancial factors as well as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities - All of the Township's basic services are reported here, including roads, fire, zoning, and cemeteries. Property taxes and intergovernmental grants and entitlements finance most of these activities. Benefits provided through Township activities are not necessarily paid for by the people receiving them.

The Township has no business-type activity.

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

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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 governmental in nature.

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 nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major funds are the General, Gasoline Tax, Road and Bridge, Special Fire Levy and Property Funds. The programs reported in governmental funds are closely related to those reported in the Governmental activities section of the government-wide statements.

Proprietary Funds – The Township does not have proprietary funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township does not have Fiduciary Funds.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 and 2005.

(Table 1)
Net Assets
Governmental Activities

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Assets			
Cash and Cash Equivalents	<u>\$527,199</u>	<u>\$485,993</u>	<u>\$41,206</u>
Net Assets			
Restricted for:			
Debt Service	\$9,409	\$231	\$9,178
Capital Outlay	6,192	151,580	(145,388)
Other Purposes	368,531	214,624	153,907
Unrestricted	<u>143,067</u>	<u>119,558</u>	<u>23,509</u>
Total Net Assets	<u>\$527,199</u>	<u>\$485,993</u>	<u>\$41,206</u>

As mentioned previously, net assets of Township activities increased \$41,206 or 8.48% during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Increase in state and county funding
- A decrease in overall expenditures from tighter cash management

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2006. Since the Township did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2006
<u>Receipts:</u>	
<i>Program Receipts:</i>	
Charges for Services and Sales	\$70,304
Operating Grants and Contributions	82,404
Capital Grants and Contribution	232,392
Total Program Receipts	385,100
<i>General Receipts:</i>	
Property and Other Local Taxes	1,270,654
Grants and Entitlements Not Restricted to Specific Programs	404,369
Interest	37,457
Miscellaneous	50,064
Total General Receipts	1,762,544
Total Receipts	2,147,644
<u>Disbursements:</u>	
General Government	346,750
Public Safety	438,531
Public Works	747,559
Health	33,264
Conservation-Recreation	13,710
Capital Outlay	508,139
Debt Service	18,485
Total Disbursements	2,106,438
Increase (Decrease) in Net Assets	41,206
Net Assets, January 1, 2006	485,993
Net Assets, December 31, 2006	\$527,199

Program receipts represent only 17.93 percent of total receipts and are primarily comprised of restricted inter-Township receipts such as motor vehicle license and gas tax money, and zoning permit fees.

General receipts represent 82.07 percent of the Township's total receipts, and of this amount, 72.09 percent are property and local taxes. State and federal grants and entitlements not restricted make up a majority of the balance of the Township's general receipts (22.94 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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 trustees, and the fiscal officer, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Public Safety is the costs of fire protection and EMS services; Health is the cost of maintaining the cemeteries; Public Works is the cost of maintaining the roads. Public Health Services and Police Protection are provided by Geauga County.

Township Activities

If you look at the Statement of Activities on page 36, 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 Township activities are for public works and public safety, which account for 35.49 and 20.82 percent of all Township disbursements, respectively. General government also represents a significant cost, about 16.46 percent. The next three 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.

(Table 3)

	Total Cost Of Services	Net Cost Of Services
General Government	\$346,750	(\$306,641)
Public Safety	438,531	(386,609)
Public Works	747,559	(533,388)
Health	33,264	(30,334)
Conservation-Recreation	13,710	(13,710)
Capital Outlay	508,139	(432,171)
Debt Service	18,485	(18,485)
Total Expenses	<u>\$2,106,438</u>	<u>(\$1,721,338)</u>

The dependence upon property and other general receipts is apparent as over 82% of governmental activities are supported through these general receipts.

The Township's Funds

Total government funds had receipts of \$2,147,644 and disbursements of \$2,106,438. The greatest change within Township funds occurred within the Property fund. This fund showed a decrease of \$145,388 due in large part to the completion of construction projects and the purchase of land.

General Fund receipts were more than disbursements by \$23,509.

The Road and Bridge fund showed an increase of \$76,786 from the passage of 1 mill replacement levy.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Township amended its General Fund budget one time to reflect changing circumstances. Final budgeted receipts exceeded original budgeted receipts due to unanticipated

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

intergovernmental receipts from the County and State. The difference between final budgeted receipts and actual receipts was not significant.

Final receipts were budgeted at \$780,190. Actual receipts were \$758,523, \$21,667 less than the final budget amount. Final disbursements were budgeted at \$832,852. Actual disbursements, including transfers out were \$735,014, \$97,838 less than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Township has one truck loan outstanding during 2006, which have a balance as of December 31, 2006 of \$32,800.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base at the present time. We will have to adjust to the decrease in Personal Property Tax and Inheritance Tax.

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 Susan Plavcan, Fiscal Officer, Auburn Township, 11010 Washington Street, Auburn Township, OH 44023.

Auburn Township
Geauga County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$527,199</u>
Net Assets	
Restricted for:	
Capital Projects	\$6,192
Debt Service	9,409
Other Purposes	368,531
Unrestricted	<u>143,067</u>
<i>Total Net Assets</i>	<u>\$527,199</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Assets Governmental Activities
Governmental Activities					
General Government	\$346,750	\$40,109	\$0	\$0	(\$306,641)
Public Safety	438,531	0	51,922	0	(386,609)
Public Works	747,559	0	30,482	183,689	(533,388)
Health	33,264	2,930	0	0	(30,334)
Conservation-Recreation	13,710	0	0	0	(13,710)
Capital Outlay	508,139	27,265	0	48,703	(432,171)
Debt Service:					
Principal Retirement	16,400	0	0	0	(16,400)
Interest and Fiscal Charges	2,085	0	0	0	(2,085)
Total	\$2,106,438	\$70,304	\$82,404	\$232,392	(1,721,338)
General Receipts					
Property Taxes Levied for:					
					253,412
					27,663
					620,454
					369,125
					404,369
					37,457
					50,064
					1,762,544
					41,206
					485,993
					\$527,199

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Property	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$143,067	\$68,146	\$216,581	\$72,286	\$6,192	\$20,927	\$527,199
Fund Balances							
Unreserved:							
Undesignated Reported in:							
General Fund	143,067	0	0	0	0	0	143,067
Special Revenue Funds	0	68,146	216,581	72,286	0	11,518	368,531
Debt Service Fund	0	0	0	0	0	9,409	9,409
Capital Projects Funds	0	0	0	0	6,192	0	6,192
<i>Total Fund Balances</i>	<u>\$143,067</u>	<u>\$68,146</u>	<u>\$216,581</u>	<u>\$72,286</u>	<u>\$6,192</u>	<u>\$20,927</u>	<u>\$527,199</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Property	Other Governmental Funds	Total Governmental Funds
Receipts							
Property Taxes	\$253,412	\$0	\$620,454	\$369,125	\$0	\$27,663	\$1,270,654
Licenses, Permits and Fees	40,109	0	0	0	27,265	2,930	70,304
Intergovernmental	404,369	101,429	91,447	51,922	48,703	21,295	719,165
Interest	32,109	4,456	0	295	0	597	37,457
Other	28,524	0	51	0	19,639	1,850	50,064
<i>Total Receipts</i>	<u>758,523</u>	<u>105,885</u>	<u>711,952</u>	<u>421,342</u>	<u>95,607</u>	<u>54,335</u>	<u>2,147,644</u>
Disbursements							
Current:							
General Government	323,016	0	0	23,734	0	0	346,750
Public Safety	0	0	0	438,531	0	0	438,531
Public Works	39,973	61,805	610,566	0	0	35,215	747,559
Health	16,771	0	0	0	0	16,493	33,264
Conservation-Recreation	13,710	0	0	0	0	0	13,710
Capital Outlay	159,000	0	24,600	0	324,539	0	508,139
Debt Service:							
Principal Retirement	0	0	0	0	0	16,400	16,400
Interest and Fiscal Charges	0	0	0	0	0	2,085	2,085
<i>Total Disbursements</i>	<u>552,470</u>	<u>61,805</u>	<u>635,166</u>	<u>462,265</u>	<u>324,539</u>	<u>70,193</u>	<u>2,106,438</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>206,053</u>	<u>44,080</u>	<u>76,786</u>	<u>(40,923)</u>	<u>(228,932)</u>	<u>(15,858)</u>	<u>41,206</u>
Other Financing Sources (Uses)							
Transfers In	0	0	0	80,000	83,544	19,000	182,544
Transfers Out	(182,544)	0	0	0	0	0	(182,544)
<i>Total Other Financing Sources (Uses)</i>	<u>(182,544)</u>	<u>0</u>	<u>0</u>	<u>80,000</u>	<u>83,544</u>	<u>19,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>23,509</u>	<u>44,080</u>	<u>76,786</u>	<u>39,077</u>	<u>(145,388)</u>	<u>3,142</u>	<u>41,206</u>
<i>Fund Balances Beginning of Year</i>	<u>119,558</u>	<u>24,066</u>	<u>139,795</u>	<u>33,209</u>	<u>151,580</u>	<u>17,785</u>	<u>485,993</u>
<i>Fund Balances End of Year</i>	<u>\$143,067</u>	<u>\$68,146</u>	<u>\$216,581</u>	<u>\$72,286</u>	<u>\$6,192</u>	<u>\$20,927</u>	<u>\$527,199</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$216,502	\$260,650	\$253,412	(\$7,238)
Licenses, Permits and Fees	34,267	41,255	40,109	(1,146)
Intergovernmental	345,472	415,920	404,369	(11,551)
Interest	27,433	33,026	32,109	(917)
Other	24,369	29,339	28,524	(815)
<i>Total Receipts</i>	<u>648,043</u>	<u>780,190</u>	<u>758,523</u>	<u>(21,667)</u>
Disbursements				
Current:				
General Government	486,949	486,949	323,016	163,933
Public Works	60,260	60,260	39,973	20,287
Health	25,282	25,282	16,771	8,511
Conservation-Recreation	20,668	20,668	13,710	6,958
Capital Outlay	239,693	239,693	159,000	80,693
<i>Total Disbursements</i>	<u>832,852</u>	<u>832,852</u>	<u>552,470</u>	<u>280,382</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(184,809)	(52,662)	206,053	258,715
Other Financing Uses				
Transfers Out	0	0	(182,544)	(182,544)
<i>Net Change in Fund Balance</i>	(184,809)	(52,662)	23,509	76,171
<i>Fund Balance Beginning of Year</i>	<u>119,558</u>	<u>119,558</u>	<u>119,558</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$65,251)</u>	<u>\$66,896</u>	<u>\$143,067</u>	<u>\$76,171</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$54,482	\$54,482	\$101,429	\$46,947
Interest	2,394	2,394	4,456	2,062
<i>Total Receipts</i>	56,876	56,876	105,885	49,009
Disbursements				
Current:				
Public Works	80,942	80,942	61,805	19,137
<i>Net Change in Fund Balance</i>	(24,066)	(24,066)	44,080	68,146
<i>Fund Balance Beginning of Year</i>	24,066	24,066	24,066	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$68,146	\$68,146

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$695,401	\$695,401	\$620,454	(\$74,947)
Intergovernmental	102,493	102,493	91,447	(11,046)
Other	57	57	51	(6)
<i>Total Receipts</i>	<u>797,951</u>	<u>797,951</u>	<u>711,952</u>	<u>(85,999)</u>
Disbursements				
Current:				
Public Works	862,465	862,465	610,566	251,899
Capital Outlay	34,749	34,749	24,600	10,149
<i>Total Disbursements</i>	<u>897,214</u>	<u>897,214</u>	<u>635,166</u>	<u>262,048</u>
<i>Net Change in Fund Balance</i>	(99,263)	(99,263)	76,786	176,049
<i>Fund Balance Beginning of Year</i>	<u>139,795</u>	<u>139,795</u>	<u>139,795</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$40,532</u>	<u>\$40,532</u>	<u>\$216,581</u>	<u>\$176,049</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$411,734	\$411,734	\$369,125	(\$42,609)
Intergovernmental	57,916	57,916	51,922	(5,994)
Interest	329	329	295	(34)
<i>Total Receipts</i>	<u>469,979</u>	<u>469,979</u>	<u>421,342</u>	<u>(48,637)</u>
Disbursements				
Current:				
General Government	24,428	24,428	23,734	694
Public Safety	451,358	451,358	438,531	12,827
<i>Total Disbursements</i>	<u>475,786</u>	<u>475,786</u>	<u>462,265</u>	<u>13,521</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(5,807)	(5,807)	(40,923)	(35,116)
Other Financing Sources				
Transfers In	<u>0</u>	<u>0</u>	<u>80,000</u>	<u>80,000</u>
<i>Net Change in Fund Balance</i>	(5,807)	(5,807)	39,077	44,884
<i>Fund Balance Beginning of Year</i>	<u>33,209</u>	<u>33,209</u>	<u>33,209</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$27,402</u>	<u>\$27,402</u>	<u>\$72,286</u>	<u>\$44,884</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 1 – Reporting Entity

Auburn Township (the “Township”), Geauga County, Ohio is a body politic and corporate established in 1817 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 bridges, and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department for fire protection and EMS service and is funded by township levy. Police protection is provided by the Geauga County Sheriff’s Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization’s governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization’s resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

C. Public Entity Risk Pools

The Township participates in one public entity risk pool. Note 8 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Township Association Risk Management Authority, which is a risk-sharing pool available to Ohio townships for property and casualty coverage.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a 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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, Special Fire Levy and Property Funds.

The General Fund is the general operating fund, 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 Gasoline Tax Fund is required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designed for maintenance of roads within the Township.

The Road and Bridge Fund is required by the Ohio Revised Code to account for State gasoline tax and motor vehicle registration fees designated for maintenance of roads within the Township.

The Special Fire Levy Fund accounts for levy receipts used to provide fire and EMS services to the township and surrounding townships through mutual aid agreements.

The Property Fund accounts for various capital projects throughout the township.

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

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. 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.

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 liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

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 certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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

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, respectively.

During 2006, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (Continued)

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$32,109 which includes \$1,027 assigned from other Township funds.

F. Inventory and Prepaid Items

On the cash basis of accounting, the Township reports inventories of supplies as disbursements when purchased. 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. Accumulated Leave

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

I. 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 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities loan obligations. Since recording a capital asset when entering into a loan for a truck is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

K. 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 road maintenance, improvement and materials (gas tax, road and bridge funds), and fire protection and EMS (fire fund). 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.

L. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity (Continued)

During 2006, there was a reclassification of fund type. The cemetery bequest fiduciary fund with ending net assets of \$12,573 was reclassified to a special revenue fund. This changed ending net assets from \$473,420 to \$485,993.

Note 4 – Compliance

The general fund had original appropriations in excess of estimated resources plus carryover balances in the amount of \$65,251, contrary to Section 5705.39, Revised Code.

The motor vehicle license and property funds had expenditures in excess of appropriations in the amounts of \$12,716 and \$172,959, respectively, which is contrary to Section 5705.41(B), Revised Code.

Note 5 – 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, Road and Bridge Fund and Special Fire Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget

Note 6 – 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;

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 6 – Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

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, \$560,025 of the Township's bank balance of \$660,025 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. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

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.

Investments

As of December 31, 2006, the Township had an investment in STAR Ohio for \$38,585 with an average maturity of 39 days.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with 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.

Note 7 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property and public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 7 – Property Taxes (Continued)

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 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 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, 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, 2006, was \$11.17 Mills per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$190,612,940
Agricultural	20,450,380
Commercial/Industrial/Mineral	13,912,350
Tangible Personal Property	
Business	3,775,950
Public Utility	3,570,240
Total Assessed Value	<u>\$232,321,860</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 8 – 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 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

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.

Auburn Township
 Geauga County
 Notes to the Financial Statements
 For the Year Ended December 31, 2006

Note 8 – Risk Management (Continued)

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.

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers 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 2006 was \$1,901,127.

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.

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, 2006 and 2005:

<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	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<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	<u>\$9,334,254</u>	<u>\$7,771,765</u>

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. 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 \$32,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Auburn Township
 Geauga County
 Notes to the Financial Statements
 For the Year Ended December 31, 2006

Note 8 – Risk Management (Continued)

Based on discussions with OTARMA the expected rates charged by OTARMA 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. The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$16,226
2005	16,197
2004	19,297

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 contribution, 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.

Note 9 – Debt

The changes in outstanding debt during 2006 were as follows:

	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Truck Loan 4.15%	\$49,200	\$0	\$16,400	\$32,800	\$16,400

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

	Principal	Interest	Total Payment
2007	16,400	1,361	17,761
2008	16,400	381	16,781
Total	\$32,800	\$1,742	\$34,542

The debt will be paid from the debt service fund.

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$24,393,795 and an unvoted debt margin of \$ 12,777,702.

Note 10 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2006, members in state and local classifications contributed 9 percent of covered payroll.

The Township's contribution rate for 2007 was 13.7 percent. A portion of the Township's contribution equal to 4.5 percent of covered payroll was the portion that was used to fund health care. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$25,614, \$26,881, and \$31,134 respectively. The full amount has been contributed for 2006, 2005 and 2004. There were no contributions to the member-directed plan for 2006.

Note 11 - Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which 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.

Auburn Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 9 - Postemployment Benefits (Continued)

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.7 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 4.5 percent of covered payroll.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2006, 2005, and 2004 were \$10,487, \$11,259 and \$13,041, respectively; 100 percent has been contributed for 2006, 2005, and 2004.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which 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.

Note 12 – Interfund Transfers

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Special Fire Levy Fund	\$80,000
Property Fund	83,544
Motor Vehicle License Tax Fund	19,000
Total Transfers from the General Fund	<u>\$182,544</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The general fund transfers to the special fire levy and motor vehicle license tax special revenue funds were to subsidize these funds for the year. The general fund transfer to the property capital projects fund was to move its portion of inheritance tax monies that were to be used for capital projects.

This page intentionally left blank.



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*

Auburn Township
Geauga County
11010 East Washington Street
Chagrin Falls, Ohio 44023

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 Auburn Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 27, 2009, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. 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.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

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 March 27, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 to 2007-003.

We also noted a certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 27, 2009.

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

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



Mary Taylor, CPA
Auditor of State

March 27, 2009

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2007-001

Proper Encumbering – Noncompliance Finding

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

11 of 60 transactions tested (18%) were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006
SCHEDULE OF FINDINGS**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2007-001 (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Treasurer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response:

The Township will continue to work on tightening up our requisition process. The township has a better understanding of when a "Then and Now" certificate should be used.

FINDING NUMBER 2007-002

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure of money unless it has been properly appropriated. The following fund had expenditures that exceeded appropriations for the year ending December 31, 2007:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Capital Projects Property	\$31,941	\$180,680	\$148,739

The following funds had expenditures that exceeded appropriations for the year ending December 31, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess Expenditures</u>
Special Revenue Motor Vehicle License	\$22,499	\$35,215	\$12,716
Capital Projects Property	\$151,580	\$324,539	\$172,959

The Township should monitor the expenditures in comparison to appropriations.

Official's Response:

The Township is now aware and more closely monitoring expenditures compared to appropriations.

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND DECEMBER 31, 2006
SCHEDULE OF FINDINGS**

FINDING NUMBER 2007-003

Appropriations Exceeding Estimated Revenues

Ohio Revised Code § 5705.39 provides, in part, that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

The following fund had original and final appropriations in excess of total estimated resources for the year ended December 31, 2007:

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Total Appropriations</u>	<u>Excess</u>
General	\$896,185	\$962,546	\$66,361

The following fund had original appropriations in excess of total estimated resources for 2006:

<u>Fund</u>	<u>Total Estimated Resources</u>	<u>Total Appropriations</u>	<u>Excess</u>
General	\$767,601	\$832,852	\$65,251

We recommend the Township monitor their budgetary statements on a monthly basis, at a minimum, to ensure amendments to their appropriations are not in excess of certified estimated resources.

Official's Response:

The Fiscal Officer will monitor and copy the Board on a monthly basis with budgetary reports.

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2005-001	ORC 5705.41 (B) – The Township had expenditures in excess of appropriations.	No	Repeated as Finding Number 2007-002
2005-002	ORC 5705.41(D) – The Township did not properly encumber expenditures.	No	Repeated as Finding Number 2007-001



Mary Taylor, CPA
Auditor of State

AUBURN TOWNSHIP

GEAUGA 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
APRIL 14, 2009