



**NEW RUSSIA TOWNSHIP
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 & 2006



Mary Taylor, CPA
Auditor of State

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

New Russia Township
Lorain County
46268 Butternut Ridge Road
Oberlin, Ohio 44074

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 New Russia Township, Lorain 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 New Russia Township, Lorain 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 Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

August 18, 2008

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

This discussion and analysis of New Russia Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2007 and 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 are as follows:

For 2007, net assets of governmental activities increased \$155,228 or 3.3 percent. The Township's general receipts are primarily contract revenue and property taxes. Contract revenue from the AWIN Landfill and Recyclery operations represent 80% of the total cash received for general governmental activities while property taxes represent 6%.

For 2006, net assets of governmental activities increased \$594,215 or 14.7 percent. The Township's general receipts are primarily contract revenue and property taxes. Contract revenue from the AWIN Landfill and Recyclery operations represent 84% of the total cash received for general governmental activities while property taxes represent 5%.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
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Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental 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 governmental function or business-type activity 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 such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income 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 police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Township has no business-type activity. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Government's Most Significant Funds

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

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

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has no proprietary funds.

**NEW RUSSIA TOWNSHIP
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Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
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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 has no fiduciary funds.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$4,792,641	\$4,637,413	\$4,043,198
Total Assets	4,792,641	4,637,413	4,043,198
Net Assets			
Restricted for:			
Other Purposes	212,357	166,449	95,950
Unrestricted	4,580,284	4,470,964	3,947,248
Total Net Assets	4,792,641	4,637,413	4,043,198

As mentioned previously, net assets of governmental activities increased \$155,228 or 3.3 percent during 2007 and \$594,215 or 14.7 percent during 2006. The primary reason contributing to the increases was increased contract revenue from landfill and recycling operations.

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

Table 2 provides a summary of the Township's changes in net assets for 2007 compared to 2006, and 2006 compared to 2005 on a cash basis:

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Governmental Activities 2005
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$1,640,575	\$1,725,480	\$57,733
Operating Grants and Contributions	119,223	100,277	89,314
Capital Grants and Contributions	0	32,871	255,509
Total Program Receipts	<u>1,759,798</u>	<u>1,858,628</u>	<u>402,556</u>
General Receipts:			
Property Taxes	120,349	109,518	106,118
Grants and Entitlements Not Restricted to Specific Programs	97,303	76,477	1,474,482
Sale of Capital Assets	0	27,551	0
Interest	234,220	193,808	109,793
Miscellaneous	2,613	100	786
Total General Receipts	<u>454,485</u>	<u>407,454</u>	<u>1,691,179</u>
Total Receipts	<u>2,214,283</u>	<u>2,266,082</u>	<u>2,093,735</u>
Disbursements:			
General Government	565,042	594,284	392,918
Public Safety	57,864	56,633	55,342
Public Works	192,647	184,680	355,851
Health	6,642	3,154	6,444
Economic Development	0	15,000	0
Human Services	23,000	0	14,700
Capital Outlay	1,198,993	803,249	547,004
Principal Retirement	14,867	14,867	11,036
Total Disbursements	<u>2,059,055</u>	<u>1,671,867</u>	<u>1,383,295</u>
Increase (Decrease) in Net Assets	155,228	594,215	710,440
Net Assets, January 1	<u>4,637,413</u>	<u>4,043,198</u>	<u>3,332,758</u>
Net Assets, December 31	<u><u>\$4,792,641</u></u>	<u><u>\$4,637,413</u></u>	<u><u>\$4,043,198</u></u>

Program receipts represents 79 percent and 82 percent of total receipts in 2007 and 2006, respectively, and are primarily comprised of restricted intergovernmental receipts such as contract revenue from the landfill, motor vehicle license and gas tax money, building permits and inspection fees.

**NEW RUSSIA TOWNSHIP
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General receipts represent 21 percent and 18 percent of the Township's total receipts in 2007 and 2006, respectively, and includes property tax. Investment earnings make up a majority of the balance of the Township's general receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the Board of Trustees, the Zoning Department, 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 to 30 percent of general receipts.

Security of Persons and Property are the costs of fire protection, Pubic Health Services are fees paid to the Lorain County health department, and Human Services are the costs of maintaining the programs including those offered by Oberlin Seniors. Capital Outlay represents the costs of major road improvements and extensive improvements to the park/nature preserve and cemetery.

Governmental Activities

If you look at the Statement of Activities on pages 10 and 15, 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. For 2007, the major program disbursements for governmental activities are for general government and capital outlay, which account for 27 and 58 percent of all governmental disbursements, respectively. For 2006, the major program disbursements for governmental activities are for general government and capital outlay, which account for 35 and 48 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Cash 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)

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$565,042	\$1,075,533	\$594,284	\$1,131,196
Public Safety	57,864	(57,864)	56,633	(56,633)
Public Works	192,647	(89,021)	184,680	(66,508)
Health	6,642	(6,642)	3,154	(3,154)
Human Services	23,000	(23,000)	0	14,976
Conservation-Recreation	0	15,597	0	0
Economic Development	0	0	15,000	(15,000)
Capital Outlay	1,198,993	(1,198,993)	803,249	(803,249)
Other	0	0	0	0
Principal Retirement	14,867	(14,867)	14,867	(14,867)
Total Expenses	\$2,059,055	(\$299,257)	\$1,671,867	\$186,761

**NEW RUSSIA TOWNSHIP
LORAIN COUNTY**

Management's Discussion and Analysis
For the Years Ended December 31, 2007 and December 31, 2006
Unaudited

The Government's Funds

For 2007, total governmental funds had receipts of \$2,213,810 and disbursements of \$2,059,055. For 2006, total governmental funds had receipts of \$2,238,431 and disbursements of \$1,671,867. The fund balance of the General Fund increased \$109,320 and \$523,714 in 2007 and 2006, respectively.

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 2007 and 2006, the Township did not change its General Fund budget from the original budgeted amounts. Actual receipts were 9% and 15% higher than budgeted receipts for 2007 and 2006, respectively.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure. Implementation of a tracking system is not yet definite.

Debt

At December 31, 2007, the Township's outstanding debt totaled \$123,220 in OPWC loans issued for road improvements. For further information regarding Township's debt, refer to Note 9 to basic financial statements.

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 on local taxes and contract revenue. The Township has very little industry to support the tax base. Our intent is to continue to increase the General Contract Revenue Investment in order to assure adequate levels of funding for services after the landfill closes. This is accomplished by adhering to project planning and budgeting.

Contacting the Government'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 Elaine R. King, Fiscal Officer, New Russia Township, 46268 Butternut Ridge Road, Oberlin, Ohio 44074.

New Russia Township
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,792,641</u>
<i>Total Assets</i>	<u><u>\$4,792,641</u></u>
Net Assets	
Restricted for:	
Other Purposes	212,357
Unrestricted	<u>4,580,284</u>
<i>Total Net Assets</i>	<u><u>\$4,792,641</u></u>

See accompanying notes to the basic financial statements

New Russia Township
Lorain 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	Governmental Activities
Governmental Activities				
General Government	\$565,042	\$1,640,575	\$0	\$1,075,533
Public Safety	57,864	0	0	(57,864)
Public Works	192,647	0	103,626	(89,021)
Health	6,642	0	0	(6,642)
Human Services	23,000	0	0	(23,000)
Conservation-Recreation	0	0	15,597	15,597
Capital Outlay	1,198,993	0	0	(1,198,993)
Debt Service				
Principal Retirement	14,867	0	0	(14,867)
<i>Total Governmental Activities</i>	<u>2,059,055</u>	<u>1,640,575</u>	<u>119,223</u>	<u>(299,257)</u>
		General Receipts		
		Property Taxes		120,349
		Grants and Entitlements not Restricted to Specific Programs		97,303
		Interest		234,220
		Miscellaneous		2,613
		<i>Total General Receipts</i>		454,485
		Change in Net Assets		155,228
		<i>Net Assets Beginning of Year</i>		4,637,413
		<i>Net Assets End of Year</i>		<u>\$4,792,641</u>

See accompanying notes to the basic financial statements

New Russia Township
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,580,282	\$212,359	\$4,792,641
<i>Total Assets</i>	<u>\$4,580,282</u>	<u>\$212,359</u>	<u>\$4,792,641</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	174,097	7,555	181,652
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	4,406,185	0	4,406,185
Special Revenue Funds	0	204,804	204,804
<i>Total Fund Balances</i>	<u>\$4,580,282</u>	<u>\$212,359</u>	<u>\$4,792,641</u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$21,120	\$99,229	\$120,349
Charges for Services	44,474	0	44,474
Licenses, Permits and Fees	1,596,101	0	1,596,101
Intergovernmental	85,083	131,443	216,526
Interest	232,669	1,551	234,220
Other	2,140	0	2,140
<i>Total Receipts</i>	<u>1,981,587</u>	<u>232,223</u>	<u>2,213,810</u>
Disbursements			
Current:			
General Government	565,042	0	565,042
Public Safety	57,864	0	57,864
Public Works	9,675	182,972	192,647
Health	6,642	0	6,642
Human Services	23,000	0	23,000
Capital Outlay	1,198,993	0	1,198,993
Debt Service:			
Principal Retirement	14,867	0	14,867
<i>Total Disbursements</i>	<u>1,876,083</u>	<u>182,972</u>	<u>2,059,055</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>105,504</u>	<u>49,251</u>	<u>154,755</u>
Other Financing Sources (Uses)			
Advances In	7,530	4,187	11,717
Advances Out	(4,187)	(7,530)	(11,717)
Other Financing Sources	473	0	473
<i>Total Other Financing Sources (Uses)</i>	<u>3,816</u>	<u>(3,343)</u>	<u>473</u>
<i>Net Change in Fund Balances</i>	109,320	45,908	155,228
<i>Fund Balances Beginning of Year</i>	<u>4,470,962</u>	<u>166,451</u>	<u>4,637,413</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,580,282</u></u>	<u><u>\$212,359</u></u>	<u><u>\$4,792,641</u></u>

See accompanying notes to the basic financial statements

New Russia Township
Lorain 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		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$20,781	\$20,781	\$21,120	\$339
Charges for Services	0	0	44,474	44,474
Licenses, Permits and Fees	1,675,586	1,675,586	1,596,101	(79,485)
Intergovernmental	80,035	80,035	85,083	5,048
Interest	0	0	232,669	232,669
Other	36,000	36,000	2,140	(33,860)
<i>Total receipts</i>	<u>1,812,402</u>	<u>1,812,402</u>	<u>1,981,587</u>	<u>169,185</u>
Disbursements				
Current:				
General Government	758,555	786,493	626,593	159,900
Public Safety	106,011	106,011	82,538	23,473
Public Works	99,765	100,287	9,675	90,612
Health	46,642	46,642	6,642	40,000
Human Services	18,000	23,000	23,000	0
Capital Outlay	2,412,964	2,412,964	1,286,865	1,126,099
Debt Service:				
Principal Retirement	14,867	14,867	14,867	0
<i>Total Disbursements</i>	<u>3,456,804</u>	<u>3,490,264</u>	<u>2,050,180</u>	<u>1,440,084</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,644,402)</u>	<u>(1,677,862)</u>	<u>(68,593)</u>	<u>1,609,269</u>
Other Financing Sources (Uses)				
Advances In	0	0	7,530	7,530
Advances Out	0	0	(4,187)	(4,187)
Other Financing Sources	0	0	473	473
Other Financing Uses	(50,000)	(16,540)	0	16,540
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(16,540)</u>	<u>3,816</u>	<u>20,356</u>
<i>Net Change in Fund Balance</i>	<u>(1,694,402)</u>	<u>(1,694,402)</u>	<u>(64,777)</u>	<u>1,629,625</u>
<i>Fund Balance Beginning of Year</i>	<u>3,525,583</u>	<u>3,525,583</u>	<u>3,525,583</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>945,379</u>	<u>945,379</u>	<u>945,379</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$2,776,560</u></u>	<u><u>\$2,776,560</u></u>	<u><u>\$4,406,185</u></u>	<u><u>\$1,629,625</u></u>

See accompanying notes to the basic financial statements

New Russia Township
Lorain County
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,637,413</u>
<i>Total Assets</i>	<u><u>\$4,637,413</u></u>
Net Assets	
Restricted for:	
Other Purposes	166,449
Unrestricted	<u>4,470,964</u>
<i>Total Net Assets</i>	<u><u>\$4,637,413</u></u>

See accompanying notes to the basic financial statements

New Russia Township
Lorain County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$4,470,962	\$166,451	\$4,637,413
<i>Total Assets</i>	<u>\$4,470,962</u>	<u>\$166,451</u>	<u>\$4,637,413</u>
Fund Balances			
Reserved:			
Reserved for Encumbrances	945,379	2,485	947,864
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	3,525,583	0	3,525,583
Special Revenue Funds	0	163,966	163,966
<i>Total Fund Balances</i>	<u>\$4,470,962</u>	<u>\$166,451</u>	<u>\$4,637,413</u>

See accompanying notes to the basic financial statements

**New Russia Township
Lorain County**

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

	General	Other Governmental Funds	Total Governmental Funds
Receipts			
Property and Other Local Taxes	\$19,193	\$90,325	\$109,518
Charges for Services	42,300	0	42,300
Licenses, Permits and Fees	1,683,180	0	1,683,180
Intergovernmental	64,452	145,173	209,625
Interest	191,596	2,212	193,808
<i>Total Receipts</i>	<u>2,000,721</u>	<u>237,710</u>	<u>2,238,431</u>
Disbursements			
Current:			
General Government	594,284	0	594,284
Public Safety	56,633	0	56,633
Public Works	16,902	167,778	184,680
Health	3,154	0	3,154
Human Services	15,000	0	15,000
Capital Outlay	770,378	32,871	803,249
Debt Service:			
Principal Retirement	14,867	0	14,867
<i>Total Disbursements</i>	<u>1,471,218</u>	<u>200,649</u>	<u>1,671,867</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>529,503</u>	<u>37,061</u>	<u>566,564</u>
Other Financing Sources (Uses)			
Sale of Capital Assets	0	27,551	27,551
Advances In	1,663	7,552	9,215
Advances Out	(7,552)	(1,663)	(9,215)
Other Financing Sources	100	0	100
<i>Total Other Financing Sources (Uses)</i>	<u>(5,789)</u>	<u>33,440</u>	<u>27,651</u>
<i>Net Change in Fund Balances</i>	523,714	70,501	594,215
<i>Fund Balances Beginning of Year</i>	<u>3,947,248</u>	<u>95,950</u>	<u>4,043,198</u>
<i>Fund Balances End of Year</i>	<u><u>\$4,470,962</u></u>	<u><u>\$166,451</u></u>	<u><u>\$4,637,413</u></u>

See accompanying notes to the basic financial statements

New Russia Township
Lorain County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General 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 and Other Local Taxes	\$18,953	\$18,953	\$19,193	\$240
Licenses, Permits and Fees	1,626,600	1,626,600	1,683,180	56,580
Intergovernmental	60,000	60,000	64,452	4,452
Interest	0	0	191,596	191,596
Other	35,020	35,020	42,300	7,280
<i>Total receipts</i>	<u>1,740,573</u>	<u>1,740,573</u>	<u>2,000,721</u>	<u>260,148</u>
Disbursements				
Current:				
General Government	732,790	732,790	617,923	114,867
Public Safety	94,655	94,655	85,644	9,011
Public Works	529,724	529,724	19,167	510,557
Health	7,000	7,000	3,154	3,846
Human Services	15,000	15,000	15,000	0
Capital Outlay	2,228,123	2,228,123	1,660,842	567,281
Debt Service:				
Principal Retirement	14,867	14,867	14,867	0
<i>Total Disbursements</i>	<u>3,622,159</u>	<u>3,622,159</u>	<u>2,416,597</u>	<u>1,205,562</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,881,586)</u>	<u>(1,881,586)</u>	<u>(415,876)</u>	<u>1,465,710</u>
Other Financing Sources (Uses)				
Advances In	0	0	1,663	1,663
Advances Out	0	0	(7,552)	(7,552)
Other Financing Sources	0	0	100	100
Other Financing Uses	(10,930)	(10,930)	0	10,930
<i>Total Other Financing Sources (Uses)</i>	<u>(10,930)</u>	<u>(10,930)</u>	<u>(5,789)</u>	<u>5,141</u>
<i>Net Change in Fund Balance</i>	(1,892,516)	(1,892,516)	(421,665)	1,470,851
<i>Fund Balance Beginning of Year</i>	3,827,318	3,827,318	3,827,318	0
Prior Year Encumbrances Appropriated	119,930	119,930	119,930	0
<i>Fund Balance End of Year</i>	<u>\$2,054,732</u>	<u>\$2,054,732</u>	<u>\$3,525,583</u>	<u>\$1,470,851</u>

See accompanying notes to the basic financial statements

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006**

Note 1 – Reporting Entity

The Township of New Russia, Lorain County, Ohio, (the Township), is a body politic and corporate established in 1825 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.

The Township 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. The Township contracts with the City of Oberlin and Village of South Amherst for fire protection and is served by the Central Lorain County Ambulance District for ambulance service. Police protection is provided by the Lorain County Sheriff.

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. 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.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements show only those activities of the Township that are governmental because the Township has no business activity. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net assets presents the cash and investment 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 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 New Russia Township are governmental only.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. For Fiscal Years 2007 and 2006, the Township had the following major fund:

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

C. Basis of Accounting

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

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued 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 resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level.

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

E. Cash and Investments

Township records identify the purchase of specific investments by specific funds.

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

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

During 2007 and 2006, the Township only invested in STAR Ohio.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Investments (Continued)

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007 and December 31, 2006.

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 \$232,669 which includes \$5,226 assigned from other Township funds. Interest receipts credited to the General Fund during 2006 was \$191,596 which includes \$1,989 assigned from other Township funds

F. Restricted Assets

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

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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.

N. Fund Balance Reserves

The Township reserves any portion of fund balance which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. 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 – 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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding for 2007 and 2006 at year end (budgetary basis) amounted to \$174,097 and \$945,379, respectively, for the General Fund. The outstanding advances for 2007 and 2006 at year end amounted to \$2,718 and 6,061, respectively, for the General Fund.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 4 – Deposits and Investments

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

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

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

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

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

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

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.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

Deposits

The carrying value of the Township's deposits is \$164,141 and \$383,571 for 2007 and 2006, respectively. 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. \$399,885 of the Township's bank balance of \$499,885 at December 31, 2007, and \$317,832 of the Township's bank balance of \$417,832 at December 31, 2006 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 and December 31, 2006, the Township had the following investments:

	<u>Carrying Value</u>	<u>Maturity</u>
December 31, 2007		
STAR Ohio	\$4,628,500	Less than One Year
December 31, 2006		
STAR Ohio	\$4,253,842	Less than One Year

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township does not have an investment policy beyond the requirements of state statute. Ohio law addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 4 – Deposits and Investments (Continued)

Investments (Continued)

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

NOTE 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 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. Real 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.

Public utility property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes respectively. 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 and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected in 2007 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 and 2006 (other than public utility property) represent the collection of 2007 and 2006 taxes respectively. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005 respectively, on the true value as of December 31, 2006 and December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

NOTE 5 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2007, was \$2.40 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/Mobile Home	\$38,687,050
Agricultural	7,314,410
Commercial/Industrial/Railroad	5,179,310
Tangible Personal Property	758,366
Public Utility	3,044,760
Total Assessed Value	<u>\$54,983,896</u>

The full tax rate for all Township operations for the year ended December 31, 2006, was \$2.40 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/Mobile Home	\$34,847,230
Agricultural	6,854,670
Commercial/Industrial/Railroad	4,541,730
Tangible Personal Property	889,287
Public Utility	3,048,560
Total Assessed Value	<u>\$50,181,477</u>

Note 6 – Risk Management

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

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

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

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 6 – Risk Management (Continued)

Casualty Coverage

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

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

Property Coverage

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

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

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

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

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>

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 6 – Risk Management (Continued)

Financial Position (Continued)

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 \$24,000. 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.

Contributions to OTARMA

2005	\$12,917
2006	\$15,918
2007	\$12,198

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 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional plans.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 7 – Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, 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 years ended December 31, 2007 and 2006, members in state and local classifications contributed 9.5 and 9.0 percent, respectively, of covered payroll.

The Township's contribution rate for 2007 and 2006 was 13.85 and 13.70 percent, respectively. For the period January 1, through June 30, 2007, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. For 2006, a portion equal to 4.5 percent of covered payroll was allocated to fund the postemployment healthcare plan. 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 \$23,667, \$21,554, and \$19,758 respectively. The full amount has been contributed for 2007, 2006 and 2005.

Note 8 – Postemployment Benefits

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.

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.

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 8 – Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007 and 2006, local government employers contributed 13.85 and 13.70 percent, respectively, 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, 2007.

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 \$13,371, \$10,543, and \$8,275 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 healthcare plan.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rated	Balance January 1, 2007	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Governmental Activities						
OPWC Loans						
1999 Issue	0.00%	\$37,095	\$0	\$4,637	\$32,458	\$4,637
2003 Issue	0.00%	20,542	0	2,568	17,974	2,568
2005 Issue	0.00%	80,450	0	7,662	72,788	7,662
		<u>\$138,087</u>	<u>\$0</u>	<u>\$14,867</u>	<u>\$123,220</u>	<u>\$14,867</u>

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rated	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Governmental Activities						
OPWC Loans						
1999 Issue	0.00%	\$41,732	\$0	\$4,637	\$37,095	\$4,637
2003 Issue	0.00%	23,110	0	2,568	20,542	2,568
2005 Issue	0.00%	88,112	0	7,662	80,450	7,662
		<u>\$152,954</u>	<u>\$0</u>	<u>\$14,867</u>	<u>\$138,087</u>	<u>\$14,867</u>

**New Russia Township
Lorain County**

**Notes to the Financial Statements
For the Years Ended December 31, 2007 and December 31, 2006
(Continued)**

Note 9 – Debt (Continued)

The following is a summary of the Township's future annual debt service requirements:

Year	OPWC Loan	
	Principal	Interest
2008	\$14,867	\$0
2009	14,867	0
2010	14,867	0
2011	14,867	0
2012	14,867	0
2013 – 2014	48,885	0
Totals	<u>\$123,220</u>	<u>\$0</u>

The Township has an outstanding obligation to the Ohio Public Works Commission. \$69,554, \$20,542, and 80,450 was the original amount of the zero interest loans for the 1999, 2003, 2005 issues, respectively. Semi annual payments are made in the amount of \$4,637, \$2,568, and \$7,662 for the 1999, 2003, 2005 issues, respectively. The balance on December 31, 2007 was \$32,458, \$17,974, and \$72,788 for the 1999, 2003, 2005 issues, respectively.



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*

New Russia Township
Lorain County
46268 Butternut Ridge Road
Oberlin, Ohio 44074

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 New Russia Township, Lorain County, Ohio (the Township), as of and for the year ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 20, 2008. Wherein we 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 opinion 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.

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.

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We noted certain matters that we reported to the Township's management in a separate letter dated August 18, 2008.

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 18, 2008.

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.

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

Mary Taylor, CPA
Auditor of State

August 18, 2008

**New Russia Township
Lorain County**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Contrary to Ohio Revised Code Section 5705.39, December 31, 2005 appropriations for the OPWC Project 4401 Fund had appropriations of \$136,096 and estimated resources of \$97,520 which resulted in an excess of \$38,576.	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

NEW RUSSIA TOWNSHIP

LORAIN 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
NOVEMBER 6, 2008**