



**CLARIDON TOWNSHIP
GEAUGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Claridon Township
Geauga County
13932 Mayfield Road
P.O. Box 66
East Claridon, Ohio 44033

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 Claridon Township, Geauga County, Ohio, (the Township) as of and for the year ended December 31, 2005, 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 modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Claridon Township, Geauga County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road & Bridge, and Fire Levy funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, 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*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2006, 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 15, 2006

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

This discussion and analysis of Claridon Township, Geauga County, Ohio, (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified 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 2005 are as follows:

Net assets of governmental activities increased \$32,648, or 6.2 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the General, Gasoline Tax and Road and Bridge Funds.

The Township's general receipts are primarily property and other local taxes. These receipts represent 70.8 percent of the total general receipts for governmental activities during the year.

Fire Contracts for 2005 increased \$23,329 compared to 2004.

A road paving project for 2005 cost the Township \$87,805.

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 modified 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 modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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As a result of using the modified 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 modified 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 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational 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 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 modified 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 other taxes.

In the statement of net assets and the statement of activities, we express the Township's activities as the following:

Governmental Activities: As of this time all of the Township's basic services are reported here, including police, fire, cemeteries, zoning and parks. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

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

Governmental Funds – Currently 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 governmental funds are the General fund, Gasoline Tax fund, Road and Bridge fund, and Fire Levy fund. The programs reported in governmental funds are closely related to

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GEAUGA COUNTY**

**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 1)
Net Assets

	<u>Governmental Activities 2005</u>
Assets	
Cash and Cash Equivalents	\$559,881
Total Assets	<u>\$559,881</u>
Net Assets	
Restricted for:	
Debt Service	\$43
Other Purposes	426,040
Unrestricted	<u>133,798</u>
Total Net Assets	<u>\$559,881</u>

As mentioned previously, net assets of governmental activities increased \$32,648 or 6.2 percent during 2005. The increase in cash balance is due mainly to increases in the General, Gasoline Tax and Road and Bridge funds offset by a decrease in Fire Levy fund.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, 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.

Changes in Net Assets

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$26,443
Operating Grants and Contributions	78,969
Total Program Receipts	105,412
General Receipts:	
Property and Other Local Taxes	388,544
Grants and Entitlements Not Restricted to Specific Programs	126,361
Interest	12,730
Miscellaneous	21,450
Total General Receipts	549,085
Total Receipts	654,497
Disbursements:	
General Government	108,469
Public Safety	186,663
Public Works	271,021
Health	25,282
Conservation-Recreation	18,532
Capital Outlay	11,882
Total Disbursements	621,849
Increase (Decrease) in Net Assets	32,648
Net Assets, January 1, 2005	527,233
Net Assets, December 31, 2005	\$559,881

Program receipts represent only 16.1 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 83.9 percent of the Township's total receipts, and of this amount, 59.4 percent are local taxes. State grants and entitlements make up the balance of the Township's general receipts (19.3 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

**CLARIDON TOWNSHIP
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**Management's Discussion and Analysis
For the Year Ended December 31, 2005
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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.

Public Safety is the costs of fire protection and EMS services; Conservation-Recreation are the cost of maintaining the parks and playing fields; Health are the costs of maintaining the cemeteries; and Public Works are the costs of maintaining the roads. Public Health Services and Police Protection are provided by Geauga County and funded through County-wide levies.

Governmental 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 governmental activities are for Public Works, which account for 43.6 percent of all governmental disbursements. Public Safety and General Government also represent significant costs, about 30.0 and 17.4 percent, 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 (Disbursements) Receipts and Changes in Net Assets 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 2005	Net Cost of Services 2005
General Government	\$108,469	(\$100,089)
Public Safety	186,663	(186,663)
Public Works	271,021	(192,302)
Health	25,282	(16,196)
Conservation-Recreation	18,532	(18,532)
Other	0	9,227
Capital Outlay	11,882	(11,882)
Total Expenses	<u>\$621,849</u>	<u>(\$516,437)</u>

The dependence upon property tax and other general receipts is apparent as over 83 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$654,497 and disbursements of \$621,849. The greatest change within governmental funds occurred within the Fire Levy fund. The fund balance of the Fire Levy fund decreased \$20,772.

Fire Levy Fund receipts were less than disbursements by \$20,772 indicating that the Fire Levy Fund is in a deficit spending situation. The Board of Trustees is aware and has approved of this deficit spending.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited**

The Township has had a significant carryover in the Fire Levy Fund for years in anticipation of contracts increasing.

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 2005, the Township had a minor amendment to its General Fund budget. The difference between final budgeted receipts and actual receipts was not significant.

Final receipts were budgeted at \$159,853. Actual receipts were \$179,205, \$19,352 more than the final budget amount. Final disbursements were budgeted at \$274,933. Actual disbursements were \$160,691, \$114,242 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.

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. Future reduction in personal property taxes and the likelihood of the inheritance tax disappearing are concerns. The Township has always tried to spend tax dollars wisely. We have not had any debt service in the last seventeen years. The Township may have to adjust to decreasing taxes and look at other alternatives.

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 Carol Stafford, Fiscal Officer, for Claridon Township, P.O. Box 66, 13932 Mayfield Road, East Claridon, Ohio 44033.

CLARIDON TOWNSHIP
GEAUGA COUNTY
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$559,881
<i>Total Assets</i>	\$559,881
Net Assets	
Restricted for:	
Debt Service	\$43
Other Purposes	426,040
Unrestricted	133,798
<i>Total Net Assets</i>	\$559,881

See accompanying notes to the basic financial statements.

CLARIDON TOWNSHIP
GEAUGA COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Special Assessments	Governmental Activities
Governmental Activities				
General Government	\$108,469	\$8,380	\$0	(\$100,089)
Public Safety	186,663	0	0	(186,663)
Public Works	271,021	0	78,719	(192,302)
Health	25,282	9,086	0	(16,196)
Conservation-Recreation	18,532	0	0	(18,532)
Other	0	8,977	250	9,227
Capital Outlay	11,882	0	0	(11,882)
<i>Total Governmental Activities</i>	<u>\$621,849</u>	<u>\$26,443</u>	<u>\$78,969</u>	<u>(516,437)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes	66,944	
		Road and Bridge Fund	184,443	
		Fire Levy Fund	137,157	
		Grants and Entitlements not Restricted to Specific Programs	126,361	
		Interest	12,730	
		Miscellaneous	21,450	
		<i>Total General Receipts</i>	549,085	
		Change in Net Assets	32,648	
		<i>Net Assets Beginning of Year</i>	<u>527,233</u>	
		<i>Net Assets End of Year</i>	<u>\$559,881</u>	

See accompanying notes to the basic financial statements.

CLARIDON TOWNSHIP
GEAUGA COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Levy Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$133,798	\$86,708	\$81,048	\$236,949	\$21,378	\$559,881
<i>Total Assets</i>	<u>\$133,798</u>	<u>\$86,708</u>	<u>\$81,048</u>	<u>\$236,949</u>	<u>\$21,378</u>	<u>\$559,881</u>
Fund Balances						
Unreserved:						
Undesignated, Reported in:						
General Fund	\$133,798	\$0	\$0	\$0	\$0	\$133,798
Special Revenue Funds	0	86,708	81,048	236,949	21,335	426,040
Debt Service Fund	0	0	0	0	43	43
<i>Total Fund Balances</i>	<u>\$133,798</u>	<u>\$86,708</u>	<u>\$81,048</u>	<u>\$236,949</u>	<u>\$21,378</u>	<u>\$559,881</u>

See accompanying notes to the basic financial statements.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005*

	General	Gasoline Tax	Road & Bridge	Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$66,944	\$0	\$184,443	\$137,157	\$0	\$388,544
Licenses, Permits and Fees	7,076	0	0	0	15,766	22,842
Intergovernmental	77,700	73,230	27,477	21,184	5,489	205,080
Interest	11,434	1,145	0	0	151	12,730
Miscellaneous	16,051	0	0	0	9,250	25,301
<i>Total Receipts</i>	<u>179,205</u>	<u>74,375</u>	<u>211,920</u>	<u>158,341</u>	<u>30,656</u>	<u>654,497</u>
Disbursements						
Current:						
General Government	98,778	0	0	0	9,690	108,468
Public Safety	0	0	0	179,113	7,550	186,663
Public Works	12,068	60,110	198,843	0	0	271,021
Health	19,431	0	0	0	5,852	25,283
Conservation-Recreation	18,532	0	0	0	0	18,532
Capital Outlay	11,882	0	0	0	0	11,882
<i>Total Disbursements</i>	<u>160,691</u>	<u>60,110</u>	<u>198,843</u>	<u>179,113</u>	<u>23,092</u>	<u>621,849</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,514</u>	<u>14,265</u>	<u>13,077</u>	<u>(20,772)</u>	<u>7,564</u>	<u>32,648</u>
<i>Net Change in Fund Balances</i>	18,514	14,265	13,077	(20,772)	7,564	32,648
<i>Fund Balances Beginning of Year</i>	<u>111,277</u>	<u>72,443</u>	<u>69,918</u>	<u>259,781</u>	<u>13,814</u>	<u>527,233</u>
<i>Fund Balances End of Year</i>	<u><u>\$129,791</u></u>	<u><u>\$86,708</u></u>	<u><u>\$82,995</u></u>	<u><u>\$239,009</u></u>	<u><u>\$21,378</u></u>	<u><u>\$559,881</u></u>

See accompanying notes to the basic financial statements.

**CLARIDON 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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$63,458	\$64,000	\$66,944	\$2,944
Licenses, Permits and Fees	5,000	5,000	7,076	2,076
Intergovernmental	78,995	79,753	77,700	(2,053)
Interest	4,000	4,000	11,434	7,434
Miscellaneous	7,100	7,100	16,051	8,951
<i>Total receipts</i>	<u>158,553</u>	<u>159,853</u>	<u>179,205</u>	<u>19,352</u>
Disbursements				
Current:				
General Government	128,500	128,800	98,778	30,022
Public Works	18,000	18,000	12,068	5,932
Health	29,000	29,000	19,431	9,569
Conservation-Recreation	38,000	38,000	18,532	19,468
Capital Outlay	60,813	61,133	11,882	49,251
<i>Total Disbursements</i>	<u>274,313</u>	<u>274,933</u>	<u>160,691</u>	<u>114,242</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(115,760)</u>	<u>(115,080)</u>	<u>18,514</u>	<u>133,594</u>
<i>Fund Balance Beginning of Year</i>	<u>110,457</u>	<u>110,457</u>	<u>110,457</u>	<u>0</u>
Prior year Encumbrances Appropriated	<u>820</u>	<u>820</u>	<u>820</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$4,483)</u>	<u>(\$3,803)</u>	<u>\$129,791</u>	<u>\$133,594</u>

See accompanying notes to the basic financial statements.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$48,500	\$48,500	\$73,230	\$24,730
Interest	200	200	1,145	945
<i>Total receipts</i>	<u>48,700</u>	<u>48,700</u>	<u>74,375</u>	<u>25,675</u>
Disbursements				
Current:				
Public Works	121,143	121,143	60,110	61,033
<i>Total Disbursements</i>	<u>121,143</u>	<u>121,143</u>	<u>60,110</u>	<u>61,033</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(72,443)</u>	<u>(72,443)</u>	<u>14,265</u>	<u>86,708</u>
<i>Fund Balance Beginning of Year</i>	<u>72,443</u>	<u>72,443</u>	<u>72,443</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$86,708</u>	<u>\$86,708</u>

See accompanying notes to the basic financial statements.

CLARIDON TOWNSHIP
GEAUGA COUNTY

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road & Bridge Fund
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$174,105	\$175,100	\$184,443	\$9,343
Intergovernmental	25,822	28,227	27,477	(750)
<i>Total receipts</i>	<u>199,927</u>	<u>203,327</u>	<u>211,920</u>	<u>8,593</u>
Disbursements				
Current:				
Public Safety	<u>271,298</u>	<u>271,298</u>	<u>198,843</u>	<u>72,455</u>
<i>Total Disbursements</i>	<u>271,298</u>	<u>271,298</u>	<u>198,843</u>	<u>72,455</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(71,371)</u>	<u>(67,971)</u>	<u>13,077</u>	<u>81,048</u>
<i>Fund Balance Beginning of Year</i>	<u>69,918</u>	<u>69,918</u>	<u>69,918</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>(\$1,453)</u>	<u>\$1,947</u>	<u>\$82,995</u>	<u>\$81,048</u>

See accompanying notes to the basic financial statements.

CLARIDON TOWNSHIP

GEAUGA COUNTY

Statement of Receipts, Disbursements, and Changes

In Fund Balance - Budget and Actual - Budget Basis

Fire Levy Fund

For the Year Ended December 31, 2005

	<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	\$130,438	\$130,800	\$137,157	\$6,357
Intergovernmental	20,120	22,058	21,184	(874)
<i>Total receipts</i>	<u>150,558</u>	<u>152,858</u>	<u>158,341</u>	<u>5,483</u>
Disbursements				
Current:				
Public Safety	270,000	270,000	179,113	90,887
<i>Total Disbursements</i>	<u>270,000</u>	<u>270,000</u>	<u>179,113</u>	<u>90,887</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(119,442)</u>	<u>(117,142)</u>	<u>(20,772)</u>	<u>96,370</u>
<i>Fund Balance Beginning of Year</i>	<u>259,781</u>	<u>259,781</u>	<u>259,781</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$140,339</u>	<u>\$142,639</u>	<u>\$239,009</u>	<u>\$96,370</u>

See accompanying notes to the basic financial statements.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005**

NOTE 1 – REPORTING ENTITY

Claridon Township, Geauga County, Ohio, is a body politic and corporate established in 1801 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 Fiscal Officer. The Township provides general government services, maintenance of roads and bridges, and cemetery park maintenance. The Township contracts with the Burton Volunteer Fire Department, Inc. and Chardon Fire Department, Inc, for fire protection. Police protection is provided by the Geauga County Sheriff's Department and funded by County levies.

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'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 modified cash basis of accounting. This modified 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 modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Accounting

These financial statements follow a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements adequately disclose material matters the Auditor of State prescribes.

B. Fund Accounting

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The Township's funds are classified as governmental.

Governmental Funds

Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Township's major governmental funds:

General Fund – This 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.

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Road and Bridge Fund – This fund receives real estate tax, homestead and rollback, and personal property tax money to maintain and repair township roads and bridges.

Fire Levy Fund – This fund receives property tax money to provide fire and rescue protection for the Township residents.

Governmental Funds

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

C. 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 Township.

The statement of net assets presents the financial condition of the governmental activities of the Township at December 31, 2005. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities. Program Cash Receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Township.

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

D. Cash and Investments

The Township invested in certificates of deposits at December 31, 2005.

E. Inventory

On the modified cash basis of accounting, inventories of supplies are reported as disbursements when purchased.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

H. 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.

I. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled and re-appropriated in the subsequent year.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

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 modified 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.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(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.

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.

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.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Township had a book balance of \$559,881. Of the Township's bank balance of \$579,521, \$379,521 was uninsured and uncollateralized. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance 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.

NOTE 5 – PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

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

NOTE 6 – RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 7 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. For the years ended December 31, 2005 and December 31, 2004 the Township only participated in the traditional 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) 222-6701 or (800) 222-7377.

For the years ended December 31, 2005 and December 31, 2004, the members of all three plans participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 and 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$16,775, \$16,858, and \$ 16,883, respectively. The full amount has been contributed for 2005, 2004 and 2003.

NOTE 8 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 and 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

**CLARIDON TOWNSHIP
GEAUGA COUNTY**

**Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)**

NOTE 8 – POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans as of December 31, 2005 was 376,109. Actual employer contributions for 2005 and 2004 which were used to fund postemployment benefits were \$7,026 and \$7,061, respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

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Auditor of State Betty Montgomery

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

Claridon Township
Geauga County
13932 Mayfield Road
P.O. Box 66
East Claridon, Ohio 44033

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 Claridon Township, Geauga County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 15, 2006, wherein we noted the Township uses a comprehensive basis of accounting other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 15, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*.

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

Claridon Township
Geauga County
Independent Accountants' Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

August 15, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CLARIDON 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
OCTOBER 19, 2006**