



Mary Taylor, CPA
Auditor of State

**AUBURN TOWNSHIP
GEAUGA COUNTY**

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GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Township, Geauga County, Ohio, as of December 31, 2009 and 2008 and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge and Special Fire Levy funds for 2009 and the General, Gasoline Tax, Road and Bridge and Special Fire Levy funds for 2008 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 September 20, 2010, 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 20, 2010

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

This discussion and analysis of Auburn Township, Geauga County, Ohio, (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2009, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of governmental activities increased \$154,968 or 26% percent from the prior year.

The Township's general receipts are primarily property taxes and grants and entitlements.

Road projects for the year included: cement stabilization and asphalt resurfacing of Lindsay Lane and Jennifer Lane by Ronyak Paving, Inc. in the amount of \$285,854 for 0.6 mile of road work.

C & C Contractors received \$369,479 for the Chip Seal of various roads (Stafford, Franks, Quinn, Wing, Valley, Fox, Crackel and Thorpe).

Reclamite was applied to roads at a cost of \$98,866.

Crack Seal work by PS Construction cost \$84,200.

Expansion to the salt dome to enable us to store more road salt came in at \$28,868.

Estate tax in the amount of \$131,826 was received.

Our Town Hall was repaired at a cost of \$30,247. The floor was reinforced and new laminate installed, the inside was painted, windows were repaired and reglazed, ceiling fans were added, the bathrooms were updated, new blinds purchased, and the building was power washed.

Sheffield Monument repaired various monuments in Shadyside Cemetery and Maple Shade Cemetery at a cost of \$4,345.

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.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Basis of Accounting

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

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

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Township at year end. The statement of activities compares cash disbursements with program receipts for each 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 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, the Township had the following type of activity:

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

Reporting the Township's Most Significant Funds

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

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Equity in Pooled			
Cash and Cash Equivalents	\$733,650	\$578,682	\$154,968
Net Assets			
Debt Service	\$52,013	\$6,309	\$45,704
Capital Projects	174,240	1,080	173,160
Other Purposes	263,206	357,918	(94,712)
Unrestricted	244,191	213,375	30,816
Total Net Assets	\$733,650	\$578,682	\$154,968

As mentioned previously, net assets of governmental activities increased \$154,968 during 2009. The primary reasons contributing to the increases in cash balances are as follows:

- o A grant was received from the State of Ohio for \$33,000 to be used for the Cathan Farm Property. This is the first part of a \$100,000 capital grant.
- o Estate Tax revenue increased by \$103,633.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008.

(Table 2)

Changes in Net Assets

	Governmental		
	Activities		
	2009	2008	Change
Receipts:			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$38,589	\$59,871	(\$21,282)
Operating Grants and Contributions	115,188	146,272	(31,084)
Capital Grants and Contributions	255,678	271,871	(16,193)
Total Program Receipts	<u>409,455</u>	<u>478,014</u>	<u>(68,559)</u>
<i>General Receipts:</i>			
Property and Other Local Taxes	1,782,493	1,621,565	160,928
Grants and Entitlements Not Restricted to Specific Programs	265,033	180,766	84,267
Interest	5,389	25,409	(20,020)
Miscellaneous	31,811	28,597	3,214
Total General Receipts	<u>2,084,726</u>	<u>1,856,337</u>	<u>228,389</u>
Total Receipts	<u>2,494,181</u>	<u>2,334,351</u>	<u>159,830</u>
Disbursements:			
General Government	423,848	439,987	16,139
Public Safety	476,335	478,541	2,206
Public Works	1,291,117	1,295,296	4,179
Health	21,498	20,313	(1,185)
Conservation-Recreation	19,209	29,719	10,510
Capital Outlay	59,115	110,028	50,913
Debt Service	48,091	43,349	(4,742)
Total Disbursements	<u>2,339,213</u>	<u>2,417,233</u>	<u>78,020</u>
Increase (Decrease) in Net Assets	154,968	(82,882)	237,850
Net Assets, January 1	<u>578,682</u>	<u>661,564</u>	<u>(82,882)</u>
Net Assets, December 31	<u>\$733,650</u>	<u>\$578,682</u>	<u>\$154,968</u>

Governmental Activities

If you look at the Statement of Activities on page 9, 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 Township delayed some capital outlay expenditures in 2009, in anticipation of possible future state funding.

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.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

(Table 3)

	Governmental Activities			
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
General Government	\$423,848	(\$402,329)	\$439,987	(\$419,319)
Public Safety	476,335	(412,546)	478,541	(419,808)
Public Works	1,291,117	(1,017,040)	1,295,296	(921,992)
Health	21,498	(15,518)	20,313	(13,378)
Conservation-Recreation	19,209	24,881	29,719	(11,345)
Capital Outlay	59,115	(59,115)	110,028	(110,028)
Principal Retirement	40,059	(40,059)	38,609	(38,609)
Interest and Fiscal Charges	8,032	(8,032)	4,740	(4,740)
Total Expenses	<u>\$2,339,213</u>	<u>(\$1,929,758)</u>	<u>\$2,417,233</u>	<u>(\$1,939,219)</u>

The dependence upon property tax receipts is apparent as 82.49 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,494,181 and disbursements of \$2,339,213, excluding other financing sources and uses. The greatest change within governmental funds occurred within the Property Acquisition Improvement Fund which received a transfer from the General Fund for the purchase of future property.

General Fund had an increase in fund balance due to a large inheritance tax settlement coupled with keeping disbursements at a 2008 level.

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 2009, actual intergovernmental receipts decreased from the final certification due to an overestimation in intergovernmental revenue.

Actual disbursements were less than final appropriations due to careful fiscal management on the Township's part.

Debt Administration

Debt

At December 31, 2009, the Township's outstanding debt included \$127,610 in loans for service department trucks. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2009
Unaudited

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.

The Township continues to maintain roads at the highest level to ensure safety for its citizens.

In 2009, the Township received a grant to begin work on the Cathan property and hopes to gain access and begin construction in 2010.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Plavcan, Fiscal Officer, Auburn Township Administration Building, 11010 East Washington Street, Auburn Township, Ohio 44023.

Auburn Township
Geauga County
Statement of Net Assets - Cash Basis
December 31, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$733,650</u>
Net Assets	
Restricted for:	
Capital Projects	\$174,240
Debt Service	52,013
Other Purposes	263,206
Unrestricted	<u>244,191</u>
<i>Total Net Assets</i>	<u>\$733,650</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2009

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$423,848	\$21,519	\$0	(\$402,329)
Public Safety	476,335	0	63,789	(412,546)
Public Works	1,291,117	0	51,399	(1,017,040)
Health	21,498	5,980	0	(15,518)
Conservation-Recreation	19,209	11,090	0	24,881
Capital Outlay	59,115	0	0	(59,115)
Debt Service:				
Principal Retirement	40,059	0	0	(40,059)
Interest and Fiscal Charges	8,032	0	0	(8,032)
Total	\$2,339,213	\$38,589	\$115,188	(1,929,758)
General Receipts				
Property Taxes Levied for:				
				318,030
				93,795
				924,147
				446,521
Grants and Entitlements not Restricted to Specific Programs				
				265,033
				5,389
				31,811
				2,084,726
				154,968
				578,682
				\$733,650

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2009

	General	Road and Bridge	Special Fire Levy	Property Acquisition Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$244,191	\$147,737	\$68,428	\$141,240	\$132,054	\$733,650
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$28,893	\$25,462	\$817	\$0	\$0	\$55,172
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	215,298	0	0	0	0	215,298
Special Revenue Funds	0	122,275	67,611	0	47,041	236,927
Debt Service Fund	0	0	0	0	52,013	52,013
Capital Projects Funds	0	0	0	141,240	33,000	174,240
<i>Total Fund Balances</i>	<u>\$244,191</u>	<u>\$147,737</u>	<u>\$68,428</u>	<u>\$141,240</u>	<u>\$132,054</u>	<u>\$733,650</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Road and Bridge	Special Fire Levy	Property Acquisition Improvement	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$318,030	\$924,147	\$446,521	\$0	\$93,795	\$1,782,493
Charges for Services	0	0	0	0	1,050	1,050
Licenses, Permits and Fees	21,519	0	0	0	4,930	26,449
Intergovernmental	265,033	154,196	63,789	0	152,881	635,899
Rentals	11,090	0	0	0	0	11,090
Interest	3,907	0	723	0	759	5,389
Other	26,011	5,500	0	0	300	31,811
<i>Total Receipts</i>	<u>645,590</u>	<u>1,083,843</u>	<u>511,033</u>	<u>0</u>	<u>253,715</u>	<u>2,494,181</u>
Disbursements						
Current:						
General Government	402,569	0	21,279	0	0	423,848
Public Safety	0	0	476,335	0	0	476,335
Public Works	39,186	1,024,713	0	0	227,218	1,291,117
Health	13,638	0	0	0	7,860	21,498
Conservation-Recreation	19,209	0	0	0	0	19,209
Capital Outlay	0	59,115	0	0	0	59,115
Debt Service:						
Principal Retirement	0	0	0	0	40,059	40,059
Interest and Fiscal Charges	0	0	0	0	8,032	8,032
<i>Total Disbursements</i>	<u>474,602</u>	<u>1,083,828</u>	<u>497,614</u>	<u>0</u>	<u>283,169</u>	<u>2,339,213</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>170,988</u>	<u>15</u>	<u>13,419</u>	<u>0</u>	<u>(29,454)</u>	<u>154,968</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	140,160	12	140,172
Transfers Out	(140,172)	0	0	0	0	(140,172)
Advances In	3,000	0	0	0	3,000	6,000
Advances Out	(3,000)	0	0	0	(3,000)	(6,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(140,172)</u>	<u>0</u>	<u>0</u>	<u>140,160</u>	<u>12</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	30,816	15	13,419	140,160	(29,442)	154,968
<i>Fund Balances, Beginning of Year</i>	<u>213,375</u>	<u>147,722</u>	<u>55,009</u>	<u>1,080</u>	<u>161,496</u>	<u>578,682</u>
<i>Fund Balances, End of Year</i>	<u>\$244,191</u>	<u>\$147,737</u>	<u>\$68,428</u>	<u>\$141,240</u>	<u>\$132,054</u>	<u>\$733,650</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2009*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$315,726	\$315,726	\$318,030	\$2,304
Licenses, Permits and Fees	0	0	21,519	21,519
Intergovernmental	272,121	411,950	265,033	(146,917)
Rentals	0	0	11,090	11,090
Interest	0	0	3,907	3,907
Other	0	0	26,011	26,011
<i>Total receipts</i>	<u>587,847</u>	<u>727,676</u>	<u>645,590</u>	<u>(82,086)</u>
Disbursements				
Current:				
General Government	622,332	501,409	431,462	69,947
Public Works	109,000	79,000	39,186	39,814
Health	13,200	29,600	13,638	15,962
Conservation-Recreation	56,690	41,442	19,209	22,233
<i>Total Disbursements</i>	<u>801,222</u>	<u>651,451</u>	<u>503,495</u>	<u>147,956</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(213,375)</u>	<u>76,225</u>	<u>142,095</u>	<u>65,870</u>
Other Financing Sources (Uses)				
Transfers Out	0	(140,172)	(140,172)	0
Advances In	0	0	3,000	3,000
Advances Out	0	0	(3,000)	(3,000)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(140,172)</u>	<u>(140,172)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(213,375)</u>	<u>(63,947)</u>	<u>1,923</u>	<u>65,870</u>
<i>Fund Balance, Beginning of Year</i>	<u>212,226</u>	<u>212,226</u>	<u>212,226</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,149</u>	<u>1,149</u>	<u>1,149</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$0</u>	<u>\$149,428</u>	<u>\$215,298</u>	<u>\$65,870</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$979,780	\$977,683	\$924,147	(\$53,536)
Intergovernmental	131,409	133,506	154,196	20,690
Other	2,096	2,096	5,500	3,404
<i>Total Receipts</i>	1,113,285	1,113,285	1,083,843	(29,442)
Disbursements				
Current:				
Public Works	1,201,007	1,186,271	1,050,175	136,096
Capital Outlay	60,000	60,000	59,115	885
<i>Total Disbursements</i>	1,261,007	1,246,271	1,109,290	136,981
<i>Net Change in Fund Balance</i>	(147,722)	(132,986)	(25,447)	107,539
<i>Fund Balance, Beginning of Year</i>	147,006	147,006	147,006	0
Prior Year Encumbrances Appropriated	716	716	716	0
<i>Fund Balance, End of Year</i>	<u>\$0</u>	<u>\$14,736</u>	<u>\$122,275</u>	<u>\$107,539</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$444,523	\$444,523	\$446,521	\$1,998
Intergovernmental	55,455	55,455	63,789	8,334
Interest	7,755	7,755	723	(7,032)
<i>Total Receipts</i>	<u>507,733</u>	<u>507,733</u>	<u>511,033</u>	<u>3,300</u>
Disbursements				
Current:				
General Government	73,678	63,500	22,096	41,404
Public Safety	489,064	499,242	476,335	22,907
<i>Total Disbursements</i>	<u>562,742</u>	<u>562,742</u>	<u>498,431</u>	<u>64,311</u>
<i>Net Change in Fund Balance</i>	(55,009)	(55,009)	12,602	67,611
<i>Fund Balance, Beginning of Year</i>	<u>55,009</u>	<u>55,009</u>	<u>55,009</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$67,611</u></u>	<u><u>\$67,611</u></u>

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

Auburn Township (the Township), Geauga County, Ohio is a body politic and corporate established in 1817 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department for fire protection and EMS service and is funded by a Township levy. Police protection is provided by the Geauga County Sheriff's Department.

B. Component Units

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

C. Public Entity Risk Pools/Jointly Governed Organizations

The Township participates in one public entity risk pool and one jointly governed organization, Notes 7 and 12 to the financial statements provide additional information for these entities. These organizations are:

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

Jointly Governed Organization: Northeast Ohio Public Energy Council (NOPEC), which is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

The Property Acquisition Improvement Fund accounts for various capital projects throughout the Township.

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

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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

E. Cash and Investments

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

During 2009, the Township invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2009.

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 2009 was \$3,907 which includes \$2,113 assigned from other Township funds.

F. Inventory and Prepaid Items

On the cash basis of accounting, the Township reports inventories of supplies as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

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

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, improvement and materials (gas tax, road and bridge funds), fire protection and EMS (fire fund). The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Interfund Transactions

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

Note 3 – Changes in Accounting Principles

For fiscal year 2009, the Township has implemented Governmental Accounting Standard Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 53, “ Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any change to the Township’s financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the Township’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the Township’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the Township’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the Township’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the Township’s financial statements.

Note 3 – Changes in Accounting (Continued)

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the Township's financial statements.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund and Special Fire Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The encumbrances outstanding at year end (budgetary basis) amounted to \$28,893 for the General Fund, \$25,462 for the Road and Bridge and \$817 for the Special Fire Levy major special revenue funds.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Note 5 – Deposits and Investments (Continued)

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.

Deposits

At year end, the Township's deposits of \$247,099 were covered by FDIC.

Investments

As of December 31, 2009, the Township had an investment in STAR Ohio for \$493,351 with an average maturity of 62 days.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 6 – Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Township. Property tax revenue received during 2009 for real and public property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009 on the assessed value as of January 1, 2009 the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes which became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Note 6 – Property Taxes (Continued)

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2009, was \$11.17 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$236,164,030
Commercial/Industrial/mineral	15,260,060
Public Utility	2,765,780
	<u>\$254,189,870</u>

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

Note 7 – Risk Management

Risk Pool Membership

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2009 and 2008.

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, liabilities above include approximately \$12.0 million and \$12.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.5 million and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2007	\$11,989
2008	\$12,285
2009	\$11,516

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8– 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 Pension 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.

Note 8– Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System

The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, the members in state and local classifications contributed 10.0 percent of covered payroll.

The Township's 2009 contribution rate was 14.0 percent. For the period January 1 through March 31, a portion of the Township's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14.0 percent.

The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$28,342, \$32,089, and \$20,789, respectively; 84.59 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377.

Auburn Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2009

Note 9 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local government employers contributed at a rate of 14.0 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which were allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$20,493, \$32,089, and \$13,693 respectively; 84.59 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Note 10 – Debt

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

	Balance December 31, 2008	Additions	Reductions	Balance December 31, 2009	Due Within One Year
2009 Truck Loan 4.57%	\$0	\$95,102	\$16,856	\$78,246	\$18,270
2007 Truck Loan 4.19%	72,567	0	23,203	49,364	24,175
	<u>\$72,567</u>	<u>\$95,102</u>	<u>\$40,059</u>	<u>\$127,610</u>	<u>\$42,445</u>

Year	Principal	Interest	Total Payment
2010	\$42,445	\$5,644	\$48,089
2011	44,293	3,796	48,089
2012	19,978	1,868	21,846
2013	20,894	955	21,849
Total	<u>\$127,610</u>	<u>\$12,263</u>	<u>\$139,873</u>

The debt will be paid from the debt service fund.

Note 10 – Debt (Continued)

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$26,689,936, less \$52,013, the amount available in the debt service fund and an unvoted debt margin of \$13,980,443.

Note 11 – Interfund Transfers

During 2009 the following transfers were made:

<u>Transfers from the General Fund to:</u>	
Cemetery Bequest	\$12
Property Acquisition Improvement	140,160
Total Transfers from the General Fund	<u>\$140,172</u>

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

The general fund transfer to the cemetery bequest special revenue fund was to move its portion of interest earned for the year. The general fund transfer to the property capital projects fund was to move a portion of inheritance tax monies that were to be used for capital projects.

Note 12 – Northeast Ohio Public Energy Council (NOPEC)

The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight- member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website, www.nopecinfo.org.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of the Auburn Township, Geauga County, Ohio, (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 are as follows:

Net assets of Governmental activities decreased \$82,882 or 13% percent from the prior year.

Road projects for the year included: asphalt resurfacing by Ronyak Paving, Inc. in the amount of \$502,031. It was bid and accepted in May at \$423,767 for the resurfacing of Staffordshire Court and the cement stabilization and asphalt repaving of White Oak subdivision (Chickashay, Eastwood, Auburndale Roads). The Township ended up in October having to pay asphalt binder cost adjustments of \$78,264 bringing the cost to \$502,031.

Single Chip Seal of various roads (Stafford, Valley, Bartholomew Roads) was completed by Ronyak, Inc. at a cost of \$94,946. The breakdown is \$80,521 plus \$14,425 for asphalt binder cost adjustment.

Shaw Road, a joint road between Auburn Township and Troy Township, was cement stabilized and asphalt repaved under a Resolution between the Townships by The Shelley Co. It was funded in part through OPWC and also received a grant from the Geauga County Board of Commissioners. Each Township received \$100,000 from the Commissioners. The breakdown is \$709,966 for the total project, with \$300,000 funded by OPWC and received by Troy Township. Each township was to be responsible for \$104,983; however, there was an asphalt binder cost adjustment resulting in Auburn's share of Shaw Road being \$156,615.

Dash Tree Service was paid \$7,800 for tree removal on Shaw Road prior to the extensive road work noted above.

Pavement Technology applied Reclamite to Quinn Road at the price of \$8,462.

The Township made a final payment on a 2004 International Truck and a first payment on a 2007 International Truck.

The Township worked on the Auburn Museum, formerly the Free Will Baptist Church, built in the 1840's. Work included leveling the subgrade, installing 4" reinforced concrete floor, restoring the building to level, installing a steel beam on the west wall, installing joists, subfloor, upgrade to electrical, reinstalling removed wainscot, original floor and chair rail, and painting. Petersen Construction was paid \$39,085 in 2008 for his work. \$2,081 was paid for moving and storage of museum items.

Ronyak Paving was paid \$86,909 to pave the Adam Hall parking lot.

Estate tax in the amount of \$28,193 was received.

Restitution for theft discovered by the Township was received from the former road superintendent, in the amount of \$13,894.

FEMA funds of \$11,171 were received for a snow event.

The Fiscal Officer sought and received permission to close a Huntington Bank saving account that was a Cemetery Fund of unknown origin with a balance of \$1,161. That money was put in the Cemetery Bequest Fund.

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.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the Township 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 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 taxes.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

In the statement of net assets and the statement of activities, the Township has one type of activity:

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

Reporting the Township's Most Significant Funds

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

Governmental Funds - All of the Township's activities are reported in Governmental funds. The Governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major funds are the General, Gasoline Tax, Road and Bridge, and Special Fire Levy Funds. The programs reported in Governmental funds are closely related to those reported in the Governmental activities section of the government-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Change</u>
	<u>2008</u>	<u>2007</u>	
Assets			
Equity in Pooled			
Cash and Cash Equivalents	\$578,682	\$661,564	(\$82,882)
Total Assets	<u>\$578,682</u>	<u>\$661,564</u>	<u>(\$82,882)</u>
Net Assets			
Debt Service	\$6,309	\$534	\$5,775
Capital Projects	1,080	87,989	(\$86,909)
Other Purposes	357,918	437,095	(\$79,177)
Unrestricted	213,375	135,946	\$77,429
Total Net Assets	<u>\$578,682</u>	<u>\$661,564</u>	<u>(\$82,882)</u>

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

As mentioned previously, net assets of Governmental activities decreased \$82,882 or 13% percent during 2008. The primary reasons contributing to the decreases in cash balances are as follows:

The Township's general receipts are primarily property taxes and grants and entitlements. The general receipts represent \$1,856,337.

In comparing 2008 to 2007 please note the following: the Township received \$28,036 more in Charges for Services; \$60,856 more in Operating Grants and Contributions, \$79,911 more in Capital Grants and Contributions and \$34,577 more in Property Taxes while we received \$40,929 less in Grants and Entitlements not Restricted, \$20,623 less in Interest and \$44,487 less in Miscellaneous receipts.

Road Department workers were given a 3% cost of living adjustment and a 5% raise.

The Administrative Secretary was given a 3% cost of living adjustment and a 16% raise. The Zoning Secretary was given a 3% cost of living adjustment and a 2% raise.

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities		Change
	2008	2007	
Receipts:			
<i>Program Receipts:</i>			
Charges for Services and Sales	\$59,871	\$31,835	\$28,036
Operating Grants and Contributions	146,272	85,416	60,856
Capital Grants and Contributions	271,871	191,960	79,911
Total Program Receipts	478,014	309,211	168,803
<i>General Receipts:</i>			
Property and Other Local Taxes	1,621,565	1,586,988	34,577
Grants and Entitlements Not Restricted to Specific Programs	180,766	221,695	(40,929)
Interest	25,409	46,032	(20,623)
Miscellaneous	28,597	73,084	(44,487)
Total General Receipts	1,856,337	1,927,799	(71,462)
Total Receipts	2,334,351	2,237,010	97,341
Disbursements:			
General Government	439,987	347,165	92,822
Public Safety	478,541	473,596	4,945
Public Works	1,295,296	1,014,202	281,094
Health	20,313	21,058	(745)
Conservation-Recreation	29,719	30,388	(669)
Capital Outlay	110,028	198,475	(88,447)
Debt Service	43,349	17,761	25,588
Total Disbursements	2,417,233	2,102,645	314,588
Increase (Decrease) in Net Assets	(82,882)	134,365	(217,247)
Net Assets, January 1	661,564	527,199	134,365
Net Assets, December 31	\$578,682	\$661,564	(\$82,882)

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Governmental Activities

If you look at the Statement of Activities on page 36, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services.

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$439,987	(\$419,319)	\$347,165	(\$319,130)
Public Safety	478,541	(419,808)	473,596	(422,296)
Public Works	1,295,296	(921,992)	1,014,202	(788,126)
Health	20,313	(13,378)	21,058	(17,258)
Conservation-Recreation	29,719	(11,345)	30,388	(30,388)
Capital Outlay	110,028	(110,028)	198,475	(198,475)
Debt Service	43,349	(43,349)	17,761	(17,761)
Total Expenses	\$2,417,233	(\$1,939,219)	\$2,102,645	(\$1,793,434)

The dependence upon property tax receipts is apparent as over 80.22 percent of Governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,334,351 and disbursements of \$2,417,233, excluding other sources and uses. The fund balance of the General Fund increased \$77,429 as the result of decreased costs for salaries and benefits.

General Fund operating receipts were more than operating disbursements by \$103,429 indicating that the General Fund is in a surplus spending situation. It was the recommendation of the finance committee and the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. Some of these reductions were implemented in 2008, including cuts in park repairs and maintenance and reductions in office personnel. These cuts will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

Auburn Township
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

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 2008, the Township amended its General Fund budget several times to reflect changing circumstances.

Debt Administration

Debt

At December 31, 2008, the Township's outstanding debt was truck payments with a principle balance of \$72,567.

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.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Plavcan, Fiscal Officer, Auburn Township, 11010 East Washington Street, Auburn Township, Ohio 44023.

Auburn Township
Geauga County
Statement of Net Assets - Cash Basis
December 31, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$578,682</u>
Net Assets	
Restricted for:	
Capital Projects	\$1,080
Debt Service	6,309
Other Purposes	357,918
Unrestricted	<u>213,375</u>
<i>Total Net Assets</i>	<u>\$578,682</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2008

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$439,987	\$20,668	\$0	\$0	(\$419,319)
Public Safety	478,541	0	58,733	0	(419,808)
Public Works	1,295,296	13,894	87,539	271,871	(921,992)
Health	20,313	6,935	0	0	(13,378)
Conservation-Recreation	29,719	18,374	0	0	(11,345)
Capital Outlay	110,028	0	0	0	(110,028)
Debt Service:					
Principal Retirement	38,609	0	0	0	(38,609)
Interest and Fiscal Charges	4,740	0	0	0	(4,740)
Total	\$2,417,233	\$59,871	\$146,272	\$271,871	(1,939,219)
General Receipts					
Property Taxes Levied for:					
					311,120
					46,240
					827,119
					437,086
					180,766
					25,409
					28,597
					<u>1,856,337</u>
					Change in Net Assets (82,882)
					<u>Net Assets, Beginning of Year 661,564</u>
					<u>Net Assets, End of Year \$578,682</u>

See accompanying notes to the basic financial statements

AuburnTownship
Geauga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2008

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$213,375	\$132,313	\$147,722	\$55,009	\$30,263	\$578,682
<i>Total Assets</i>	<u>\$213,375</u>	<u>\$132,313</u>	<u>\$147,722</u>	<u>\$55,009</u>	<u>\$30,263</u>	<u>\$578,682</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$1,149		\$716		\$27	\$1,892
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	212,226					212,226
Special Revenue Funds		\$132,313	147,006	\$55,009	22,847	357,175
Debt Service Fund					6,309	6,309
Capital Projects Funds					1,080	1,080
Permanent Fund	<u>\$ 213,375</u>	<u>\$132,313</u>	<u>\$147,722</u>	<u>\$55,009</u>	<u>\$30,236</u>	<u>\$578,682</u>
<i>Total Fund Balances</i>						

See accompanying notes to the basic financial statements

Auburn Township
Geauga County

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	General	Gasoline Tax	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts						
Property Taxes	\$311,120	\$0	\$827,119	\$437,086	\$46,240	\$1,621,565
Charges for Services	0	0	0	0	1,500	1,500
Licenses, Permits and Fees	20,668	0	0	0	5,435	26,103
Fines and Forfeitures	0	0	13,894	0	0	13,894
Intergovernmental	180,766	96,326	229,104	58,733	33,980	598,909
Rentals	18,374	0	0	0	0	18,374
Interest	15,889	7,441	0	1,609	470	25,409
Other	28,597	0	0	0	0	28,597
<i>Total Receipts</i>	<u>575,414</u>	<u>103,767</u>	<u>1,070,117</u>	<u>497,428</u>	<u>87,625</u>	<u>2,334,351</u>
Disbursements						
Current:						
General Government	417,257	0	0	22,730	0	439,987
Public Safety	0	0	0	478,541	0	478,541
Public Works	9,282	98,401	1,156,126	0	31,487	1,295,296
Health	15,727	0	0	0	4,586	20,313
Conservation-Recreation	29,719	0	0	0	0	29,719
Capital Outlay	0	0	0	0	110,028	110,028
Debt Service:						
Principal Retirement	0	0	0	0	38,609	38,609
Interest and Fiscal Charges	0	0	0	0	4,740	4,740
<i>Total Disbursements</i>	<u>471,985</u>	<u>98,401</u>	<u>1,156,126</u>	<u>501,271</u>	<u>189,450</u>	<u>2,417,233</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>103,429</u>	<u>5,366</u>	<u>(86,009)</u>	<u>(3,843)</u>	<u>(101,825)</u>	<u>(82,882)</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	26,000	26,000
Transfers Out	(26,000)	0	0	0	0	(26,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(26,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	77,429	5,366	(86,009)	(3,843)	(75,825)	(82,882)
<i>Fund Balances, Beginning of Year</i>	<u>135,946</u>	<u>126,947</u>	<u>233,731</u>	<u>58,852</u>	<u>106,088</u>	<u>661,564</u>
<i>Fund Balances, End of Year</i>	<u>\$213,375</u>	<u>\$132,313</u>	<u>\$147,722</u>	<u>\$55,009</u>	<u>\$30,263</u>	<u>\$578,682</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2008*

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$307,839	\$307,839	\$311,120	\$3,281
Licenses, Permits and Fees	0	0	20,668	20,668
Intergovernmental	146,174	173,266	180,766	7,500
Rentals	0	0	18,374	18,374
Interest	0	0	15,889	15,889
Other	74,000	87,984	28,597	(59,387)
<i>Total receipts</i>	<u>528,013</u>	<u>569,089</u>	<u>575,414</u>	<u>6,325</u>
Disbursements				
Current:				
General Government	456,370	456,370	418,398	37,972
Public Works	11,500	11,500	9,282	2,218
Health	17,000	17,000	15,735	1,265
Conservation-Recreation	111,072	111,072	29,719	81,353
<i>Total Disbursements</i>	<u>595,942</u>	<u>595,942</u>	<u>473,134</u>	<u>122,808</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,929)</u>	<u>(26,853)</u>	<u>102,280</u>	<u>129,133</u>
Other Financing Sources (Uses)				
Transfers Out	(26,000)	(26,000)	(26,000)	0
Other Financing Uses	(2,000)	(2,000)	0	2,000
<i>Total Other Financing Sources (Uses)</i>	<u>(28,000)</u>	<u>(28,000)</u>	<u>(26,000)</u>	<u>2,000</u>
<i>Net Change in Fund Balance</i>	(95,929)	(54,853)	76,280	131,133
<i>Fund Balance, Beginning of Year</i>	<u>135,946</u>	<u>135,946</u>	<u>135,946</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$40,017</u>	<u>\$81,093</u>	<u>\$212,226</u>	<u>\$131,133</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Gasoline Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$84,000	\$84,000	\$96,326	\$12,326
Interest	0	0	7,441	7,441
<i>Total Receipts</i>	84,000	84,000	103,767	19,767
Disbursements				
Current:				
Public Works	100,000	100,000	98,401	1,599
<i>Total Disbursements</i>	100,000	100,000	98,401	1,599
<i>Net Change in Fund Balance</i>	(16,000)	(16,000)	5,366	21,366
<i>Fund Balance, Beginning of Year</i>	126,947	126,947	126,947	0
<i>Fund Balance, End of Year</i>	<u>\$110,947</u>	<u>\$110,947</u>	<u>\$132,313</u>	<u>\$21,366</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$795,073	\$795,073	\$827,119	\$32,046
Fines and Forfeitures	0	0	13,894	13,894
Intergovernmental	112,076	112,076	129,104	17,028
Gifts and Contributions	0	100,000	100,000	0
<i>Total Receipts</i>	907,149	1,007,149	1,070,117	62,968
Disbursements				
Current:				
Public Works	1,140,880	1,214,117	1,156,842	57,275
<i>Net Change in Fund Balance</i>	(233,731)	(206,968)	(86,725)	120,243
<i>Fund Balance, Beginning of Year</i>	233,731	233,731	233,731	0
<i>Fund Balance, End of Year</i>	<u>\$0</u>	<u>\$26,763</u>	<u>\$147,006</u>	<u>\$120,243</u>

See accompanying notes to the basic financial statements

Auburn Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$430,975	\$430,975	\$437,086	\$6,111
Intergovernmental	62,317	62,317	58,733	(3,584)
Interest	200	200	1,609	1,409
<i>Total Receipts</i>	<u>493,492</u>	<u>493,492</u>	<u>497,428</u>	<u>3,936</u>
Disbursements				
Current:				
General Government	26,858	26,858	22,730	4,128
Public Safety	483,754	483,754	478,541	5,213
<i>Total Disbursements</i>	<u>510,612</u>	<u>510,612</u>	<u>501,271</u>	<u>9,341</u>
<i>Net Change in Fund Balance</i>	(17,120)	(17,120)	(3,843)	13,277
<i>Fund Balance, Beginning of Year</i>	<u>58,852</u>	<u>58,852</u>	<u>58,852</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$41,732</u>	<u>\$41,732</u>	<u>\$55,009</u>	<u>\$13,277</u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

Auburn Township (the Township), Geauga County, Ohio is a body politic and corporate established in 1817 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Auburn Volunteer Fire Department for fire protection and EMS service and is funded by a Township levy. Police protection is provided by the Geauga County Sheriff's Department.

B. Component Units

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

C. Public Entity Risk Pools/Jointly Governed Organizations

The Township participates in one public entity risk pool and one jointly governed organization, Notes 6 and 11 to the financial statements provide additional information for these entities. These organizations are:

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

Jointly Governed Organization: Northeast Ohio Public Energy Council (NOPEC), which is a regional council of governments formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

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

The 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.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

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

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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

E. Cash and Investments

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

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

During 2008, the Township invested in STAR Ohio.

Note 2 – Summary of Significant Accounting Policies (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, 2008.

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 2008 was \$15,889 which includes \$6,520 assigned from other Township funds.

F. Inventory and Prepaid Items

On the cash basis of accounting, the Township reports inventories of supplies as disbursements when purchased. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Long-Term Obligations

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

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance, improvement and materials (gas tax, road and bridge funds), fire protection and EMS (fire fund). The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Interfund Transactions

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund and the Special Fire Levy Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The encumbrances outstanding at year end (budgetary basis) amounted to \$1,149 for the General Fund, \$716 for the Road and Bridge and \$27 for the Other Governmental Funds special revenue funds.

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).

Note 4 – Deposits and Investments (Continued)

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.

Deposits

At year end, the Township's deposits of \$121,522 were covered by FDIC.

Investments

As of December 31, 2008, the Township had an investment in STAR Ohio for \$477,919 with an average maturity of 55 days.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Property Taxes

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the Township. Property tax revenue received during 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) is for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes which became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Auburn Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 5 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2008, was \$11.17 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$231,060,420
Commercial/Industrial/mineral	14,758,200
Public Utility	2,482,690
Tangible Personal Property	1,688,520
Total	\$249,989,830

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

Note 6 – Risk Management

Risk Pool Membership

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. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	\$27,755,922	\$29,852,866

Note 6 – Risk Management (Continued)

Risk Pool Membership (Continued)

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$12,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$16,226
2007	\$11,989
2008	\$12,285

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar to the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional pension 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. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Note 7– Defined Benefit Pension Plan (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10.0 percent of covered payroll. For 2008, a portion of the Township’s contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. The Township’s contribution rate for 2008 was 14.0 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The Township’s required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$32,089, \$20,789, and \$25,614, respectively; 86.32 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care 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 post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

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

Disclosures for the health care plan are presented 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 post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through their contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.0 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township’s contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$32,089, \$13,693 and \$10,487 respectively; 86.32 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

Auburn Township
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 8 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Debt

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

	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Due Within One Year
2004 Truck Loan 4.15%	\$16,400	\$0	\$16,400	\$0	\$0
2007 Truck Loan 4.19%	94,771	0	22,204	72,567	23,203
	<u>\$111,171</u>	<u>\$0</u>	<u>\$38,604</u>	<u>\$72,567</u>	<u>\$23,203</u>

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

Year	Principal	Interest	Total Payment
2009	\$23,203	\$3,041	\$26,244
2010	24,176	2,068	26,244
2011	25,188	1,056	26,244
Total	<u>\$72,567</u>	<u>\$6,165</u>	<u>\$78,732</u>

The debt will be paid from the debt service fund.

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2008, were an overall debt margin of \$26,248,932, less \$6,309, the amount available in the Debt Service Fund and an unvoted debt margin of \$13,749,441.

Note 10 – Interfund Transfers

During 2008, the General Fund transferred \$26,000 to the General Bond Debt Service Fund. This transfer was made to supplement the continued truck loan payments.

Note 11 – Northeast Ohio Public Energy Council (NOPEC)

The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

Note 11 – Northeast Ohio Public Energy Council (NOPEC) (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight- member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information can be obtained by contacting Joseph Migliorini, Board Chairman, 31320 Solon Road, Suite 20, Solon, Ohio 44139 or at the website, www.nopecinfo.org.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Auburn Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 20, 2010, wherein we noted the Township uses a comprehensive accounting basis 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. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 noted a certain matter that we reported to the Township's management in a separate letter dated September 20, 2010.

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

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

Mary Taylor, CPA
Auditor of State

September 20, 2010

**AUBURN TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 5705.41(D) – The Township did not properly encumber expenditures.	Yes	
2007-002	ORC 5705.41 (B) – The Township had expenditures in excess of appropriations.	Yes	
2007-003	ORC 5705.39 – The Township had appropriations in excess of total estimated resources.	Yes	

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Mary Taylor, CPA
Auditor of State

AUBURN TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**