



Mary Taylor, CPA
Auditor of State

**MUNSON TOWNSHIP
GEAUGA COUNTY**

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GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

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 Munson Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, Ohio, as of December 31, 2007 and December 31, 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Fire Operating Apparatus funds for 2007 and 2006 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 May 15, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

May 15, 2009

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

This discussion and analysis of the Munson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$569,499, or 36.42 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized increases in intergovernmental and interest revenues.

The Township's general receipts are primarily property tax and grants and entitlements not restricted to specific programs. These receipts represent respectively 53.93 and 23.8 percent of the total cash received for governmental activities during the year. Property receipts for 2007 changed very little compared to 2006 as development within the Township slowed. Grants and entitlements not restricted to specific programs increased \$301,715 due mainly to increases in estate tax.

Capital outlay expenditures increased from 2006 to 2007 by \$160,647, due to the purchase of a storage addition and, a new emergency squad vehicle for the fire department and a Kobelco Excavator with bucket for the Road Department; and multiple park improvements.

Much needed levies were passed on November 6, 2007. They were a Fire Operating and Apparatus Replacement Levy, for one mill for 5 years, and a New Road and Bridge Levy, for .75 mill for 5-years.

Grants in the amount of \$10,142 and reimbursements/collections in the amount of \$7,308 were received in 2007.

Fire Department: The fire vehicle repairs cost \$35,082; purchase of a Superior rescue squad for \$129,204 and the fire contract payment for 2007 was \$971,112.

Road and Bridge Projects: Of the 47.02 miles of township roads, two were contracted for resurfacing with Ronyak Paving for \$93,110. They were Highland View Drive and Meadowhurst Lane; Ohio Pavement Systems put a surface application on Wellesley Lane for \$4,948; and 13 roads were micro-surfaced by Strawser, Inc. for \$142,994. Due to the road levy not passing last year this was all the repairs that could be done on the township roads.

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.

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

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 Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and cash equivalents of the governmental program 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 non-financial 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.

In the statement of net assets and the statement of activities, the Township has only governmental activities:

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

Governmental activities. Most of the Township's basic services are reported here, including fire, roads and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

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

Governmental Funds - Most 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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Road and Bridge, and Fire Operating and Apparatus funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

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

The Government as a Whole

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

(Table 1)

Net Assets

	Governmental Activities		Total	
	2007	2006	2007	2006
Assets				
Cash and Cash Equivalents	\$2,133,117	\$1,563,619	\$2,133,117	\$1,563,619
Total Assets	\$2,133,117	\$1,563,619	\$2,133,117	\$1,563,619
Net Assets				
Restricted for:				
Other Purposes	283,788	383,209	283,788	383,209
Unrestricted	1,849,329	1,180,410	1,849,329	1,180,410
Total Net Assets	\$2,133,117	\$1,563,619	\$2,133,117	\$1,563,619

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

As mentioned previously, net assets of governmental activities increased \$569,498 or 36.42 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

- Intergovernmental revenues increased \$281,849 or 115 percent from 2006 to 2007 due to increased estate tax receipts.
- Increases in interest rates led to an increase of \$37,888 or 37.89 percent in interest earnings.

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

(Table 2)
Changes in Net Assets

	Governmental		Total	
	2007	2006	2007	2006
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$239,346	\$247,026	\$239,346	\$247,026
Operating Grants and Contributions	118,002	281,396	118,002	281,396
Total Program Receipts	357,348	528,422	357,348	528,422
General Receipts:				
Property and Other Local Taxes	1,664,667	1,656,268	1,664,667	1,656,268
Sale of Capital Assets	0	75	0	75
Grants and Entitlements Not Restricted to Specific Programs	906,118	604,513	906,118	604,513
Interest	103,675	65,693	103,675	65,693
Miscellaneous	54,656	55,857	54,656	55,857
Total General Receipts	2,729,116	2,382,406	2,729,116	2,382,406
Total Receipts	3,086,464	2,910,828	3,086,464	2,910,828
Disbursements:				
General Government	373,364	383,418	373,364	383,418
Public Safety	1,086,796	999,856	1,086,796	999,856
Public Works	750,591	746,874	750,591	746,874
Health	10,216	7,996	10,216	7,996
Conservation/Recreation	28,635	37,517	28,635	37,517
Capital Outlay	267,363	106,715	267,363	106,715
Total Disbursements	2,516,965	2,282,376	2,516,965	2,282,376
Increase (Decrease) in Net Assets	569,499	628,452	569,499	628,452
Net Assets, January 1, 2007	1,563,619	935,167	1,563,619	935,167
Net Assets, December 31, 2007	\$2,133,118	\$1,563,619	\$2,133,118	\$1,563,619

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

Program receipts represent only 17.08 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for the sale of cemetery lots and charges to University Hospital – Heather Hill for emergency medical services.

General receipts represent 82.92 percent of the Township's total receipts, and of this amount, over 65.04 percent are local taxes. State and federal grants and entitlements make up 28.79 percent of the Township's general receipts. Other receipts are very insignificant and a somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the elected officials and office staff and services provided by the county auditor, treasurer, legal and engineering departments as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works which account for 43.18 and 29.82 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 14.83 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government 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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$373,364	(\$373,364)	\$383,418	(\$356,429)
Public Safety	\$1,086,796	(\$878,831)	\$999,856	(\$750,200)
Public Works	750,591	(632,589)	746,874	(505,276)
Health	10,216	(1,186)	7,996	2,183
Conservation/Recreation	28,635	(28,635)	37,517	(37,517)
Other	0	22,351	0	0
Capital Outlay	267,363	(267,363)	106,715	(106,715)
Total Expenses	\$2,516,965	(\$2,159,617)	\$2,282,376	(\$1,753,954)

The dependence upon property tax receipts is apparent as over 66.14 percent of governmental activities are supported through these general receipts.

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

The Government's Funds

Total governmental funds had receipts of \$3,086,097 and disbursements of \$2,516,965. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$668,920 mainly due to increased intergovernmental revenues of \$305,895 and decreased disbursements.

General Fund Budgeting Highlights

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

During 2007, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were higher than original budgeted receipts due to unexpected estate tax receipts. The difference between final budgeted receipts and actual receipts was \$130,085.

Final disbursements were budgeted at \$2,352,740 while actual disbursements were \$648,792. The result is the increase in fund balance of \$646,862 for 2007.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2007, the Township had no outstanding debt.

Current Issues

The challenge for all Governments 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. In 2007 the Township started plans for a new Township Building.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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 Patricia A. Bayer, Fiscal Officer, Munson Township, 12210 Auburn Road; Chardon, OH 44024 or call at 440-286-9255.

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,133,118</u>
<i>Total Assets</i>	<u><u>\$2,133,118</u></u>
Net Assets	
Restricted for:	
Other Purposes	283,788
Unrestricted	<u>1,849,330</u>
<i>Total Net Assets</i>	<u><u>\$2,133,118</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2007*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$373,364	\$0	\$0	(\$373,364)
Public Safety	1,086,796	207,965	0	(878,831)
Public Works	750,591	0	118,002	(632,589)
Health	10,216	9,030	0	(1,186)
Conservation-Recreation	28,635	0	0	(28,635)
Other	0	22,351	0	22,351
Capital Outlay	267,363	0	0	(267,363)
Total	\$2,516,965	\$239,346	\$118,002	(2,159,617)
General Receipts				
Property Taxes Levied for:				
				1,664,667
				906,118
				103,675
				54,656
				<u>2,729,116</u>
				Change in Net Assets 569,499
				<u>Net Assets Beginning of Year 1,563,619</u>
				<u>Net Assets End of Year \$2,133,118</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2007

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,849,330	\$133,488	\$3,120	\$147,180	\$2,133,118
<i>Total Assets</i>	<u>\$1,849,330</u>	<u>\$133,488</u>	<u>\$3,120</u>	<u>\$147,180</u>	<u>\$2,133,118</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$22,058	\$49	\$0	\$14,549	\$36,656
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,827,272	0	0	0	1,827,272
Special Revenue Funds	0	133,439	3,120	132,631	269,190
<i>Total Fund Balances</i>	<u>\$1,849,330</u>	<u>\$133,488</u>	<u>\$3,120</u>	<u>\$147,180</u>	<u>\$2,133,118</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY
Statement of Cash Receipts, Disbursements and Changes in -Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$416,804	\$577,000	\$670,863	\$0	\$1,664,667
Charges for Services	0	0	0	207,965	207,965
Licenses, Permits and Fees	35,909	0	0	23,956	59,865
Intergovernmental	736,705	79,409	89,479	118,002	1,023,595
Interest	100,005	0	0	3,670	103,675
Other	5,862	6,881	2,169	11,418	26,330
<i>Total Receipts</i>	<u>1,295,285</u>	<u>663,290</u>	<u>762,511</u>	<u>365,011</u>	<u>3,086,097</u>
Disbursements					
Current:					
General Government	353,949	0	0	19,415	373,364
Public Safety	100,496	0	780,982	205,318	1,086,796
Public Works	12,094	662,855	0	75,642	750,591
Conservation-Recreation	28,635	0	0	0	28,635
Health	2,239	0	0	7,977	10,216
Capital Outlay	129,319	39,683	40,000	58,361	267,363
<i>Total Disbursements</i>	<u>626,732</u>	<u>702,538</u>	<u>820,982</u>	<u>366,713</u>	<u>2,516,965</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>668,553</u>	<u>(39,248)</u>	<u>(58,471)</u>	<u>(1,702)</u>	<u>569,132</u>
<i>Net Change in Fund Balances</i>	668,553	(39,248)	(58,471)	(1,702)	569,132
<i>Other Financing Sources</i>					
Other Financing Sources	367	0	0	0	367
<i>Total Other Financing Sources</i>	<u>367</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>367</u>
<i>Net Change in Fund Balances</i>	668,920	(39,248)	(58,471)	(1,702)	569,499
<i>Fund Balances Beginning of Year</i>	<u>1,180,410</u>	<u>172,736</u>	<u>61,591</u>	<u>148,882</u>	<u>1,563,619</u>
<i>Fund Balances End of Year</i>	<u>\$1,849,330</u>	<u>\$133,488</u>	<u>\$3,120</u>	<u>\$147,180</u>	<u>\$2,133,118</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$416,134	\$416,134	\$416,804	\$670
Licenses, Permits and Fees	24,000	24,000	35,908	11,908
Intergovernmental	175,641	661,465	736,705	75,240
Interest	60,000	60,000	100,005	40,005
Other	3,600	3,600	5,862	2,262
<i>Total receipts</i>	<u>679,375</u>	<u>1,165,199</u>	<u>1,295,284</u>	<u>130,085</u>
Disbursements				
Current:				
General Government	420,766	437,689	353,949	83,740
Public Safety	47,775	120,275	107,555	12,720
Public Works	344,575	380,825	12,095	368,730
Health	11,000	11,500	2,239	9,261
Conservation-Recreation	58,500	65,551	28,635	36,916
Capital Outlay	860,200	1,336,900	144,319	1,192,581
<i>Total Disbursements</i>	<u>1,742,816</u>	<u>2,352,740</u>	<u>648,792</u>	<u>1,703,948</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,063,441)</u>	<u>(1,187,541)</u>	<u>646,492</u>	<u>1,834,033</u>
<i>Other Financing Sources</i>				
Other Financing Sources	3,131	123,131	370	(122,761)
<i>Total Other financing Sources</i>	<u>3,131</u>	<u>123,131</u>	<u>370</u>	<u>(122,761)</u>
<i>Net Change in Fund Balance</i>	(1,060,310)	(1,064,410)	646,862	1,711,272
<i>Fund Balance Beginning of Year</i>	1,180,410	1,180,410	1,180,410	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	<u>\$120,100</u>	<u>\$116,000</u>	<u>\$1,827,272</u>	<u>\$1,711,272</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Road and Bridge Fund

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$569,009	\$569,009	\$577,000	\$7,991
Intergovernmental	83,722	83,722	79,409	(4,313)
Other	15,200	15,200	6881	(8,319)
<i>Total receipts</i>	<u>667,931</u>	<u>667,931</u>	<u>663,290</u>	<u>(4,641)</u>
Disbursements				
Current:				
Public Works	770,667	774,744	662,855	111,889
Capital Outlay	70,000	65,923	39,731	26,192
<i>Total Disbursements</i>	<u>840,667</u>	<u>840,667</u>	<u>702,586</u>	<u>138,081</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(172,736)</u>	<u>(172,736)</u>	<u>(39,296)</u>	<u>133,440</u>
<i>Net Change in Fund Balance</i>	<u>(172,736)</u>	<u>(172,736)</u>	<u>(39,296)</u>	<u>133,440</u>
<i>Fund Balance Beginning of Year</i>	172,736	172,736	172,736	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$133,440</u></u>	<u><u>\$133,440</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Special Fire Levy Fund

For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$666,492	\$666,493	\$670,863	\$4,370
Intergovernmental	90,369	90,369	89,479	(890)
Other	5,169	5,168	2,169	(2,999)
<i>Total receipts</i>	<u>762,030</u>	<u>762,030</u>	<u>762,511</u>	<u>481</u>
Disbursements				
Current:				
Public Safety	781,452	783,621	780,982	2,639
Capital Outlay	40,000	40,000	40,000	0
<i>Total Disbursements</i>	<u>821,452</u>	<u>823,621</u>	<u>820,982</u>	<u>2,639</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(59,422)</u>	<u>(61,591)</u>	<u>(58,471)</u>	<u>3,120</u>
<i>Net Change in Fund Balance</i>	(59,422)	(61,591)	(58,471)	3,120
<i>Fund Balance Beginning of Year</i>	61,591	61,591	61,591	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,169</u>	<u>\$0</u>	<u>\$3,120</u>	<u>\$3,120</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Basis Assets and Fund Balances

Agency Fund

December 31, 2007



	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,062</u>
<i>Total Assets</i>	<u><u>\$4,062</u></u>
Fund Balances	
Unreserved:	
Undesignated (Deficit), Reported in:	
Other Purposes	<u>4,062</u>
<i>Total Fund Balances</i>	<u><u>\$4,062</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

Munson Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1816 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 a primary government 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, parks and cemeteries. The Township contracts with the Munson Fire Department for fire protection. Police protection is provided by 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. Munson Township does not have component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash 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 and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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 divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road and Bridge Fund, and Fire Operating and Apparatus Fund.

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

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

Fire Operating and Apparatus Fund - This fund receives real estate tax, homestead and rollback, and personal property tax money for costs for operating the fire department.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for donations for scholarships.

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, except agency 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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution 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 control has been established at the fund, department, and object level for all funds. It is approved by the Township Trustees in the Permanent Appropriations.

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2007, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit and the STAR Ohio are reported at cost.

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$100,005 which includes \$10,015 assigned from other Township funds.

F. 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.

G. 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.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Road and Bridge and Fire Operating and Apparatus. 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

I. Fund Balance Reserves

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

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, the road and bridge and the fire operating and apparatus Funds prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrance outstanding at year end (budgetary basis) amounted to \$22,058 for the general fund and \$48.00 for the Road and Bridge Fund.

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;

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

Note 4 – Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$473,105 of the Township's bank balance of \$673,105 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township's investment policy is limited to complying with state statute, which investment objectives include safety, liquidity and return on investments; authorized financial institutions and broker/dealers and authorized investments.

As of December 31, 2007, the Township had the following investments:

	Carrying Value	Maturity
STAR Ohio	\$1,596,483	53 days
Total Portfolio	\$1,596,483	

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

Note 4 – Deposits and Investments (Continued)

The 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 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 property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Property tax payments received during 2007 for Tangible Personal Property (other than public utility property) are for 2007 taxes.

Real property taxes received in 2007 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2007 real property taxes are collected in and intended to finance 2008.

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. 2007 public utility taxes which became a lien December 31, 2006, are levied after October 1, 2007, and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after October 1, 2006 on the true value as of December 31, 2006. Collections are made in 2007. Tangible personal property assessments are being phased out—the assessment percentage for all property including inventory for 2007 is 12.50 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The full tax rate for all Township operations for the year ended December 31, 2007, was \$11.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$228,757,220
Tangible Personal Property	2,335,875
Public Utility	5,270,860
Total Assessed Value	\$236,363,955

The Geauga County Treasurer collects property taxes on behalf of all taxing districts in the County, including Munson Township. The County Auditor periodically remits to the Township portions of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2007 and for which there is an enforceable legal claim.

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

Note 6 – Risk Management

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

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

A. Property and Liability

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

Casualty Coverage

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

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

Property Coverage

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

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

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

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

Note 6 – Risk Management (continued)

	<u>2007</u>	<u>2006</u>
Assets	\$43,210.703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852.866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2007 and 2006 respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The township’s share of these unpaid claims collectable in future years is approximately \$15,675. 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 charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2007	\$16,675
2006	22,546
2005	21,094

After completing one year of membership, members may withdraw on each anniversary date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s 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 withdrawal.

B. Workers’ Compensation

The Township participates in the Ohio Township Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating townships pay a service fee to the GRP to cover costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Township by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating townships is calculated as one experience and a common premium rate is applied to all townships in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “equity pooling fund.”

This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to townships that can meet the GRP’s selection criteria. The firm of Frank Gates Service Company provides administrative, cost control and actuarial services to the GRP.

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

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only in the traditional plans.

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

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

The Township's contribution rate for 2007 was 13.85 percent. For the period January 1, through June 30, 2007, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the postemployment percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$59,090, \$58,654, and \$59,392 respectively. The full amount has been contributed for 2007, 2006 and 2005.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

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

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

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

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

Note 8 - Postemployment Benefits (continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage. Active members do not make contributions to the postemployment health care plan.

The Township's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2007, 2006, and 2005 were \$24,292, \$19,447, and \$24,876 respectively; 100 percent has been contributed for 2007, 2006 and 2005.

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

Note 9– Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

This discussion and analysis of the Munson Township financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$628,452, or 67.20 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, due to decreased costs in 2006 by \$271,686.

The major general receipt is property tax. This receipt represents 56.9 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 changed by \$83,616 compared to 2005 due to development within the Township.

Cash disbursements decreased \$496,584 in 2006 compared to 2005 due to rejection by the voters of the 1 mill 5 year new Road and Bridge levy.

Road Projects: The Township contracted with Ronyak Brothers Paving, \$229,351, to resurface Bean Road from Route 44 to Bass Lake Road and Rockhaven Road from Wye to Cedar. No micro-surfacing was done this year.

Park Maintenance and Improvements: Four pavilions were constructed, two at Scenic River Retreat and two at Nero Nature Preserve at a total cost of \$23,627.

Grant: The Township applied for a Geauga-Trumbull Solid Waste Management District Scrap Tire Grant and received \$1,437 for participating.

Community: The third Annual Community Day Picnic was held on Saturday, August 19 from noon to 5pm and collection for the Munson Township Scholarship Fund was \$1,838. The annual Rubbish Days were April 28 and 29 at a cost of \$5,187. Newsletters were mailed to all residents in March and October with the cost of printing and postage of \$2,837.

Other Contracts: The Township's yearly contract with G-TV from April 1, 2005 through March 2006 generated \$35,763 in revenue.

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.

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

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

Basis of Accounting

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

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and cash equivalents of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the 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 non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we only present the Township with one type of activity:

Governmental activities. Most of the Township's basic services are reported here, including fire, roads and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Reporting the Township's Most Significant Funds

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

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

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

The Township as a Whole

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

(Table 1)

Net Assets

	Governmental Activities		Total	
	2006	2005	2006	2005
Assets				
Cash and Cash Equivalents	\$1,563,619	\$936,697	\$1,563,619	\$936,697
Investments			0	0
Total Assets	\$1,563,619	\$935,167	\$1,563,619	\$936,697
Net Assets				
Restricted for:				
Other Purposes	383,209	350,876	383,209	350,876
Unrestricted	1,180,410	585,821	1,180,410	585,821
Total Net Assets	\$1,563,619	\$936,697	\$1,563,619	\$936,697

As mentioned previously, net assets of governmental activities increased \$ 628,452 or 67.20 percent during 2006. The primary reasons contributing to the increase in cash balances are as follows:

- Growth in property tax receipts of \$83,616 in 2006 were due to new construction.

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

- Grants and Entitlements not restricted to specific programs increased \$128,392 in 2006. This increase was due to additional Estate Tax received in 2006.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

	Governmental		Total	
	2006	2005	2006	2005
Receipts:				
Program Receipts:				
Charges for Services and Sales	\$247,026	\$287,580	\$247,026	\$287,580
Operating Grants and Contributions	281,396	94,663	281,396	94,663
Capital Grants and Contributions	0	399,999	0	399,999
Total Program Receipts	528,422	782,242	528,422	782,242
General Receipts:				
Property Taxes	1,656,268	1,572,651	1,656,268	1,572,651
Sale of Capital Assets	75	0	75	0
Grants and Entitlements Not Restricted to Specific Programs	604,513	476,122	604,513	476,122
Interest	65,693	20,417	65,693	20,417
Miscellaneous	55,857	92,845	55,857	92,845
Total General Receipts	2,382,406	2,162,035	2,382,406	2,162,035
Total Receipts	2,910,828	2,944,277	2,910,828	2,944,277
Disbursements:				
General Government	383,418	394,615	383,418	394,615
Public Safety	999,856	1,014,006	999,856	1,014,006
Public Works	746,874	602,728	746,874	602,728
Health	7,996	8,855	7,996	8,855
Conservation-Recreation	37,517	29,266	37,517	29,266
Capital Outlay	106,715	729,490	106,715	729,490
Total Disbursements	2,282,376	2,778,960	2,282,376	2,778,960
Increase in Net Assets	628,452	165,317	628,452	165,317
Net Assets, January 1, 2006	935,167	769,850	935,167	769,850
Net Assets, December 31, 2006	\$1,563,619	\$935,167	\$1,563,619	\$935,167

Program receipts represent only 18.15 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, zoning and variance permits.

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

General receipts represent 81.85 percent of the Township's total receipts, and of this amount, 69.52 percent are property taxes. State and federal grants and entitlements make up 25.37 percent of the Township's general receipts. Other general receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the elected officials and office staff and services provided by the county auditor, treasurer, legal and engineering departments as well as internal services such as payroll and purchasing.

Public Safety is the cost of fire protection; Conservation-Recreation is the cost of maintaining the parks and playing fields; Public Works is the cost of maintaining the roads; Health is the cost to running the Township's two cemeteries; and Capital Outlay is the land purchase.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works which account for 43.81 and 32.72 percent of all governmental disbursements, respectively. General government also represents a significant cost, 16.80 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$383,418	(\$356,429)	\$394,615	(\$394,615)
Public Safety	999,856	(750,200)	1,014,006	(751,898)
Public Works	746,874	(505,276)	602,728	(108,066)
Health	7,996	2,183	8,855	(2,539)
Conservation-Recreation	37,517	(37,517)	29,266	(29,266)
Capital Outlay	106,715	(106,715)	729,490	(729,490)
Other	0	0	0	19,247
Total Expenses	\$2,282,376	(\$1,753,954)	\$2,778,960	(\$1,996,627)

The dependence upon property tax receipts is apparent as 72.57 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,871,305 and disbursements of \$2,282,906. The greatest changes within governmental funds occurred within the General Fund and Capital Projects Fund. The

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

fund balance of the General Fund increased \$594,689 as the result of increased Estate and Property Taxes.

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 funds are the General, Road and Bridge, and Fire Operating and Apparatus Funds.

During 2006, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were over the original budgeted receipts due to the unexpected receipt of a large amount of Estate tax. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,515,386 while actual disbursements were \$472,733.

For the Road and Bridge and Fire Operating and Apparatus Fund, the differences between final budgeted and actual receipts were not significant.

For the Road and Bridge and Fire Operating and Apparatus Fund, the differences between final budgeted and actual disbursements were significant because the Township appropriates the total estimated receipts plus fund balances.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2006, the Township had no outstanding debt.

Current Issues

The challenge for all Governments 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 Township additional information should be directed to Patricia A. Bayer, Fiscal Officer, Munson Township, Geauga County, 12210 Auburn Road, Chardon, Ohio 44024.

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,563,619</u>
<i>Total Assets</i>	<u><u>\$1,563,619</u></u>
Net Assets	
Restricted for:	
Other Purposes	383,209
Unrestricted	<u>1,180,410</u>
<i>Total Net Assets</i>	<u><u>\$1,563,619</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
General Government	\$383,418	\$26,639	\$350	(\$356,429)
Public Safety	999,856	210,208	39,448	(750,200)
Public Works	746,874	0	241,598	(505,276)
Health	7,996	10,179	0	2,183
Conservation-Recreation	37,517	0	0	(37,517)
Other	0	0	0	0
Capital Outlay	106,715	0	0	(106,715)
Total	\$2,282,376	\$247,026	\$281,396	(1,753,954)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,656,268
Grants and Entitlements not Restricted to Specific Programs				604,513
Sale of Capital Assets				75
Interest				65,693
Miscellaneous				55,857
<i>Total General Receipts</i>				2,382,406
Change in Net Assets				628,452
<i>Net Assets Beginning of Year</i>				935,167
<i>Net Assets End of Year</i>				\$1,563,619

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

December 31, 2006

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,180,410</u>	<u>\$172,736</u>	<u>\$61,591</u>	<u>\$148,882</u>	<u>\$1,563,619</u>
<i>Total Assets</i>	<u><u>\$1,180,410</u></u>	<u><u>\$172,736</u></u>	<u><u>\$61,591</u></u>	<u><u>\$148,882</u></u>	<u><u>\$1,563,619</u></u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,180,410	0	0	0	1,180,410
Special Revenue Funds	<u>0</u>	<u>172,736</u>	<u>61,591</u>	<u>148,882</u>	<u>383,209</u>
<i>Total Fund Balances</i>	<u><u>\$1,180,410</u></u>	<u><u>\$172,736</u></u>	<u><u>\$61,591</u></u>	<u><u>\$148,882</u></u>	<u><u>\$1,563,619</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Receipts, Disbursements and Changes in -Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2006

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$412,455	\$574,541	\$669,272	\$0	\$1,656,268
Charges for Services	0	0	0	210,208	210,208
Licenses, Permits and Fees	36,818	0	0	28,977	65,795
Intergovernmental	550,810	83,388	90,315	118,155	842,668
Interest	62,117	0	0	3,576	65,693
Other	5,148	9,247	3,870	12,408	30,673
<i>Total Receipts</i>	<u>1,067,348</u>	<u>667,176</u>	<u>763,457</u>	<u>373,324</u>	<u>2,871,305</u>
Disbursements					
Current:					
General Government	359,955	0	0	23,463	383,418
Public Safety	3,231	0	782,180	214,445	999,856
Public Works	8,790	683,656	0	54,428	746,874
Conservation-Recreation	37,517	0	0	0	37,517
Health	2,156	0	0	5,840	7,996
Capital Outlay	61,085	0	4,357	41,273	106,715
<i>Total Disbursements</i>	<u>472,734</u>	<u>683,656</u>	<u>786,537</u>	<u>339,449</u>	<u>2,282,376</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>594,614</u>	<u>(16,480)</u>	<u>(23,080)</u>	<u>33,875</u>	<u>588,929</u>
<i>Net Change in Fund Balances</i>	594,614	(16,480)	(23,080)	33,875	588,929
<i>Other Financing Sources</i>					
Sale of Fixed Assets	75	0	0	0	75
Other Financing Sources	0	0	39,448	0	39,448
<i>Total Other Financing Sources</i>	<u>75</u>	<u>0</u>	<u>39,448</u>	<u>0</u>	<u>39,523</u>
<i>Net Change in Fund Balances</i>	594,689	(16,480)	16,368	33,875	628,452
<i>Fund Balances Beginning of Year</i>	<u>585,721</u>	<u>189,216</u>	<u>45,223</u>	<u>115,007</u>	<u>935,167</u>
<i>Fund Balances End of Year</i>	<u>\$1,180,410</u>	<u>\$172,736</u>	<u>\$61,591</u>	<u>\$148,882</u>	<u>\$1,563,619</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund*

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$407,108	\$412,440	\$412,455	\$15
Charges for Services	40,700	36,818	36,818	-
Intergovernmental	184,411	430,048	550,810	120,762
Interest	25,500	59,531	62,116	2,585
Other	6,500	5,148	5,148	-
<i>Total receipts</i>	<u>664,219</u>	<u>943,985</u>	<u>1,067,347</u>	<u>123,362</u>
Disbursements				
Current:				
General Government	442,631	463,799	359,955	103,844
Public Safety	94,300	92,900	3,231	89,669
Public Works	126,300	122,408	8,791	113,617
Health	11,500	12,250	2,156	10,094
Conservation-Recreation	47,000	61,599	37,516	24,083
Capital Outlay	530,000	762,430	61,085	701,345
<i>Total Disbursements</i>	<u>1,251,731</u>	<u>1,515,386</u>	<u>472,734</u>	<u>1,042,652</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(587,512)</u>	<u>(571,401)</u>	<u>594,613</u>	<u>1,166,014</u>
<i>Other Financing Sources</i>				
Sale of Fixed Assets	5,000	75	75	-
<i>Total Other Financing Sources</i>	<u>5,000</u>	<u>75</u>	<u>75</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(582,512)	(571,326)	594,688	1,166,014
<i>Fund Balance Beginning of Year</i>	579,485	579,485	579,485	-
Prior Year Encumbrances Appropriated	6,237	6,237	6,237	-
<i>Fund Balance End of Year</i>	<u>\$3,210</u>	<u>\$14,396</u>	<u>\$1,180,410</u>	<u>\$1,166,014</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Road and Bridge Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$570,401	\$570,401	\$574,541	\$4,140
Intergovernmental	81,497	81,497	83,388	1,891
Other	9,000	9,000	9,247	247
<i>Total receipts</i>	<u>660,898</u>	<u>660,898</u>	<u>667,176</u>	<u>6,278</u>
Disbursements				
Current:				
Public Works	850,113	850,113	683,656	166,457
<i>Total Disbursements</i>	<u>850,113</u>	<u>850,113</u>	<u>683,656</u>	<u>166,457</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(189,215)</u>	<u>(189,215)</u>	<u>(16,480)</u>	<u>172,735</u>
<i>Net Change in Fund Balance</i>	(189,215)	(189,215)	(16,480)	172,735
<i>Fund Balance Beginning of Year</i>	189,215	189,215	189,215	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$172,735</u></u>	<u><u>\$172,735</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

Special Fire Levy Fund

For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$666,105	\$667,661	\$669,272	\$1,611
Intergovernmental	87,687	90,315	90,315	-
Other	3,000	3,870	3,870	-
<i>Total receipts</i>	<u>756,792</u>	<u>761,846</u>	<u>763,457</u>	<u>1,611</u>
Disbursements				
Current:				
Public Safety	777,015	795,117	782,180	12,937
Capital Outlay	25,000	51,400	4,356	47,044
<i>Total Disbursements</i>	<u>802,015</u>	<u>846,517</u>	<u>786,536</u>	<u>59,981</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(45,223)</u>	<u>(84,671)</u>	<u>(23,079)</u>	<u>61,592</u>
<i>Other Financing Sources</i>				
Other financing Sources	0	39,448	39,448	-
<i>Total Other Financing Sources</i>	<u>0</u>	<u>39,448</u>	<u>39,448</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	<u>(45,223)</u>	<u>(84,671)</u>	<u>16,369</u>	<u>61,592</u>
<i>Fund Balance Beginning of Year</i>	<u>45,223</u>	<u>45,223</u>	<u>45,223</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$61,592</u></u>	<u><u>\$61,592</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP, GEAUGA COUNTY

Statement of Cash Basis Assets and Fund Balances

Agency Fund

December 31, 2006



	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,588</u>
<i>Total Assets</i>	<u><u>\$3,588</u></u>
Fund Balances	
Unreserved:	
Undesignated (Deficit), Reported in:	
Other Purposes	<u>3,588</u>
<i>Total Fund Balances</i>	<u><u>\$3,588</u></u>

See accompanying notes to the basic financial statements

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 1 – Reporting Entity

Munson Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1816 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 a primary government 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, parks and cemeteries. The Township contracts with the Munson Fire Department for fire protection. Police protection is provided by 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. Munson Township does not have component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash 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 and enterprise 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. Fiduciary funds are reported by type.

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 divided into two categories, governmental and fiduciary.

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 Fund, Road and Bridge Fund, and Fire Operating and Apparatus Fund.

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

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

Fire Operating and Apparatus Fund - This fund receives real estate tax, homestead and rollback, and personal property tax money for costs for operating the fire department.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds (continued)

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for donations for scholarships.

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, except agency 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 resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution 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 control has been established at the fund, department, and object level for all funds. It is approved by the Township Trustees in the Permanent Appropriations.

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

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for the 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.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2006, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit and the STAR Ohio are reported at cost.

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$62,116 which includes \$1,871 assigned from other Township funds.

F. 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.

G. 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.

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Road and Bridge and Fire Operating and Apparatus. 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.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

I. Fund Balance Reserves

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

Note 3 –Restatement of Fund Equity and Net Assets

The restatement of the Governmental activities is as follows:

	General	Other Governmental	Governmental Activities
Fund Balance December 31, 2005	\$585,721	\$350,976	\$936,697
Reclassification to Agency Fund	0	(1,630)	(1,630)
Expenditures overstated	0	100	100
Adjusted Fund Balance December 31, 2005	\$585,721	\$349,446	\$935,167
Government-Wide Financial Statement Adjustments:			0
Governmental Activities Net Assets December 31, 2005			\$935,167

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, the road and bridge, and the fire operating and apparatus funds prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). At year end there were no outstanding encumbrances.

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.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments (continued)

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

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$808,752 of the Township's bank balance of \$1,008,752 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township's investment policy is limited to complying with state statute, which investment objectives include safety, liquidity and return on investments; authorized financial institutions and broker/dealers and authorized investments.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments (continued)

As of December 31, 2006, the Township had the following investments:

	Carrying Value	Maturity
STAR Ohio	712,515	39 days
Total Portfolio	\$712,515	

The 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 be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Property tax payments received during 2006 for Tangible Personal Property (other than public utility property) are for 2006 taxes.

Real property taxes received in 2006 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2006 real property taxes are collected in and intended to finance 2007.

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. 2006 public utility taxes which became a lien December 31, 2005, are levied after October 1, 2006, and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after October 1, 2005 on the true value as of December 31, 2005. Collections are made in 2006. Tangible personal property assessments are being phased out—the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.50 percent for 2007, 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$11.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$223,374,040
Tangible Personal Property	4,625,260
Public Utility	5,352,540
Total Assessed Value	\$233,351,840

The Geauga County Treasurer collects property taxes on behalf of all taxing districts in the County, including Munson Township. The County Auditor periodically remits to the Township portions of the taxes collected.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 6 – Property Taxes (continued)

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

Note 7 – Risk Management

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

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

A. Property and Liability

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

Casualty Coverage

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

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 7 – Risk Management (continued)

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Assets	\$42,042,275	\$39,663,434
Liabilities	<u>(12,120,661)</u>	<u>(13,750,607)</u>
Net Assets	<u>\$29,921,614</u>	<u>\$25,912,827</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The township's share of these unpaid claims collectable in future years is approximately \$45,092. 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 charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

The Townships contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2006	\$22,546
2005	21,094
2004	17,567

After completing one year of membership, members may withdraw on each anniversary date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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 withdrawal.

B. Workers' Compensation

The Township participates in the Ohio Township Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating townships pay a service fee to the GRP to cover costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Township by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating townships is calculated as one experience and a common premium rate is applied to all townships in the GRP. Each participant pays its workers' compensation premium to the State based

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 7 – Risk Management (continued)

on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to townships that can meet the GRP's selection criteria. The firm of Frank Gates Service Company provides administrative, cost control and actuarial services to the GRP.

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$58,654, \$59,392, and \$57,439 respectively. The full amount has been contributed for 2006, 2005 and 2004.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Munson Township
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 9 - Postemployment Benefits (continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,124. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$19,447. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

Note 10- Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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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*

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

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 Munson Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 15, 2009, 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 Chardon Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more than inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

May 15, 2009



Mary Taylor, CPA
Auditor of State

MUNSON 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
JUNE 2, 2009**