



Dave Yost • Auditor of State



**MUNSON TOWNSHIP  
GEAUGA COUNTY**

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# Dave Yost • 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 year ended December 31, 2010, 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(A) mandates 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, 2010 and the respective changes in cash financial position, thereof and the respective budgetary comparison for the General, Road and Bridge, and Special Fire Levy funds for 2010 thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, 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.

We conducted our audit to opine on the Township's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, and total and net cost of program services. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

October 5, 2012

**Munson Township, Geauga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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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, 2010, within the limitations of the Township's cash basis accounting. Readers should also view the basic financial statements and notes to enhance their understanding of the Township's financial performance. The intent of this discussion and analysis is to look at the Township's financial performance as a whole.

**Financial Highlights**

Highlights for 2010 are as follows:

The Township purchased an ambulance and a pickup truck for the fire department for a cost of \$134,798 and \$25,579, respectively.

Overall expenses increased due to the Township completing several road projects. Phase one of the Legend Creek Drive reconstruction was completed during 2010. This is a joint project with Chester Township. The Township's cost of phase one was \$392,569. In an effort to extend the time between resurfacings, the Township completed micro-surfacing on various roads throughout the Township. The Township also paid \$17,500 on a biobased rejuvenator on Rosetta and Rockhaven Roads.

The community continued to show support for Munson Township by approving the renewal of a 1.75 mill fire operating and apparatus levy for five years on November 2, 2010.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of

**Munson Township, Geauga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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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 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments 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:

**Governmental activities** All 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 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.



**Munson Township, Geauga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

**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 fund, road and bridge and special fire levy special revenue 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 2010 compared to 2009 on a cash basis:

Table 1  
**Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,561,766	\$2,614,526	(\$52,760)
<b>Net Assets</b>			
Restricted for Other Purposes	283,852	345,700	(61,848)
Unrestricted	2,277,914	2,268,826	9,088
Total Net Assets	\$2,561,766	\$2,614,526	(\$52,760)

In total, net assets decreased \$52,760 or 2.02 percent during 2010. Management continues to diligently plan expenses, staying carefully within the Township's revenues.

Table 2 reflects the changes in net assets on a cash basis in 2010 and 2009 for governmental activities.

**Munson Township, Geauga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

Table 2  
**Changes in Net Assets**

	Governmental Activities		
	2010	2009	Change
<b>Receipts:</b>			
Program Receipts:			
Charges for Services and Sales	\$247,140	\$240,342	\$6,798
Operating Grants and Contributions	457,388	382,937	74,451
Capital Grants and Contributions	0	136,299	(136,299)
<b>Total Program Receipts</b>	<b>704,528</b>	<b>759,578</b>	<b>(55,050)</b>
General Receipts:			
Property Taxes	1,804,406	1,824,145	(19,739)
Cable Franchise Tax	41,894	39,247	2,647
Grants and Entitlements not Restricted to Specific Programs	308,022	536,758	(228,736)
Interest	75,987	66,070	9,917
Sale of Capital Assets	1,000	2,155	(1,155)
Miscellaneous	6,915	15,398	(8,483)
<b>Total General Receipts</b>	<b>2,238,224</b>	<b>2,483,773</b>	<b>(245,549)</b>
<i>Total Receipts</i>	<i>2,942,752</i>	<i>3,243,351</i>	<i>(300,599)</i>
<b>Disbursements:</b>			
General Government	413,846	465,960	(52,114)
Public Safety	1,230,733	1,183,104	47,629
Public Works	1,031,462	912,310	119,152
Health	15,138	12,213	2,925
Conservation and Recreation	43,246	40,466	2,780
Capital Outlay	261,087	203,409	57,678
<b>Total Program Expenses</b>	<b>2,995,512</b>	<b>2,817,462</b>	<b>178,050</b>
<i>Change in Net Assets</i>	<i>(52,760)</i>	<i>425,889</i>	<i>(478,649)</i>
<i>Net Assets Beginning of Year</i>	<i>2,614,526</i>	<i>2,188,637</i>	<i>425,889</i>
<i>Net Assets End of Year</i>	<i>\$2,561,766</i>	<i>\$2,614,526</i>	<i>(\$52,760)</i>

Program receipts represent only 23.94 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. During 2009, the Township received a capital grant of \$136,299 from the Ohio Public Works Commission.

General receipts represent 76.06 percent of the Township's total receipts, and of this amount, 80.62 percent are local taxes. State and federal grants and entitlements make up 13.76 percent of the Township's general receipts. Other receipts are very insignificant and a somewhat unpredictable revenue sources.

**Munson Township, Geauga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include 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 41.09 and 34.43 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 13.82 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3  
**Total and Net Cost of Program Services**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
General Government	\$413,846	(\$413,601)	\$465,960	(\$462,647)
Public Safety	1,230,733	(874,640)	1,183,104	(837,261)
Public Works	1,031,462	(722,720)	912,310	(528,010)
Health	15,138	(4,958)	12,213	(4,878)
Conservation and Recreation	43,246	(43,246)	40,466	(40,466)
Other	0	29,268	0	18,807
Capital Outlay	261,087	(261,087)	203,409	(203,409)
<b>Total</b>	<b>\$2,995,512</b>	<b>(\$2,290,984)</b>	<b>\$2,817,462</b>	<b>(\$2,057,864)</b>

**The Township's Funds**

Information about the Township's governmental funds begins on page 11. All governmental funds had receipts of \$2,971,752 and disbursements of \$2,995,512. The Township's governmental funds reflected a decrease in fund balances of \$52,760 or 2.02 percent.

**Budgeting Highlights**

The Township's budget is prepared according to the laws of the State of Ohio and is based on accounting for certain transactions on a cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of budgetary control is at the fund, department and object level for all funds.

**Munson Township, Geauga County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2010*  
*Unaudited*

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For the general fund, original and final budgeted receipts were \$582,025 and \$777,145, respectively, and actual receipt collections were \$858,798. The majority of the increase in actual receipts over the final budgeted amount is due to an increase in intergovernmental receipts and interest revenue. For the general fund, original and final appropriations were \$2,850,851 and \$3,045,971, respectively, and actual disbursements were \$877,530. Actual disbursements were \$2,168,441 under the final appropriations.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

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

#### ***Debt***

At December 31, 2010, the Township had no outstanding debt.

### **Current Financial Issues**

In order to better manage the rising costs of healthcare, the Township has instituted a health reimbursement account (HRA) in 2011. The Township negotiated a high deductible with the insurance company in return for a lower monthly premium. The Township will then cover the deductible of \$2,500 for single and \$5,000 for family. The Township has also, started to have the employees pay three percent of the premium towards the healthcare costs.

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. Therefore, the continued involvement and support of the Township's residents is vital to the operation of the Township and always appreciated.

### **Contacting the Township's Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Judy Toth, 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, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,561,766</u>
<b>Net Assets</b>	
Restricted for Other Purposes	\$283,852
Unrestricted	<u>2,277,914</u>
<i>Total Net Assets</i>	<u>\$2,561,766</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP**  
**GEOUGA COUNTY**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2010*

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government	\$413,846	\$0	\$245	(\$413,601)
Public Safety	1,230,733	217,804	138,289	(874,640)
Public Works	1,031,462	4,580	304,162	(722,720)
Health	15,138	9,375	805	(4,958)
Conservation-Recreation	43,246	0	0	(43,246)
Other	0	15,381	13,887	29,268
Capital Outlay	261,087	0	0	(261,087)
<i>Total Governmental Activities</i>	<u>\$2,995,512</u>	<u>\$247,140</u>	<u>\$457,388</u>	<u>(2,290,984)</u>
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes	410,431	
		Road and Bridge Fund	673,619	
		Special Fire Levy Fund	720,356	
		Grants and Entitlements not Restricted to Specific Programs	308,022	
		Sale of Capital Assets	1,000	
		Cable Franchise Fees	41,894	
		Interest	75,987	
		Miscellaneous	6,915	
		<i>Total General Receipts</i>	<u>2,238,224</u>	
		Change in Net Assets		(52,760)
		<i>Net Assets Beginning of Year</i>		<u>2,614,526</u>
		<i>Net Assets End of Year</i>		<u>\$2,561,766</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, 2010*

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Levy Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$2,277,914</u>	<u>\$134,198</u>	<u>\$2,417</u>	<u>\$147,237</u>	<u>\$2,561,766</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	\$27,820	\$0	\$0	\$0	\$27,820
Unreserved:					
Undesignated, Reported in:					
General Fund	2,250,094	0	0	0	2,250,094
Special Revenue Funds	0	134,198	2,417	147,237	283,852
<i>Total Fund Balances</i>	<u>\$2,277,914</u>	<u>\$134,198</u>	<u>\$2,417</u>	<u>\$147,237</u>	<u>\$2,561,766</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, 2010*

	General	Road & Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$410,431	\$673,619	\$720,356	\$0	\$1,804,406
Charges for Services	8,422	0	0	221,404	229,826
Licenses, Permits and Fees	41,894	0	0	17,314	59,208
Intergovernmental	321,909	180,356	138,289	123,806	764,360
Gifts and Donations	245	0	0	0	245
Interest	73,682	0	0	2,305	75,987
Miscellaneous	2,215	3,305	0	2,200	7,720
<i>Total Receipts</i>	<u>858,798</u>	<u>857,280</u>	<u>858,645</u>	<u>367,029</u>	<u>2,941,752</u>
<b>Disbursements</b>					
Current:					
General Government	398,084	0	0	15,762	413,846
Public Safety	139,998	0	870,135	220,600	1,230,733
Public Works	9,227	908,225	0	114,010	1,031,462
Health	862	0	0	14,276	15,138
Conservation-Recreation	43,246	0	0	0	43,246
Capital Outlay	258,293	0	0	2,794	261,087
<i>Total Disbursements</i>	<u>849,710</u>	<u>908,225</u>	<u>870,135</u>	<u>367,442</u>	<u>2,995,512</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	9,088	(50,945)	(11,490)	(413)	(53,760)
<b>Other Financing Sources</b>					
Sale of Fixed Assets	0	0	1,000	0	1,000
<i>Net Change in Fund Balances</i>	9,088	(50,945)	(10,490)	(413)	(52,760)
<i>Fund Balances Beginning of Year</i>	<u>2,268,826</u>	<u>185,144</u>	<u>12,907</u>	<u>147,649</u>	<u>2,614,526</u>
<i>Fund Balances End of Year</i>	<u>\$2,277,914</u>	<u>\$134,199</u>	<u>\$2,417</u>	<u>\$147,236</u>	<u>\$2,561,766</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, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$413,179	\$413,179	\$410,431	(\$2,748)
Charges for Services	2,402	2,600	8,422	5,822
Licenses, Permits and Fees	36,947	40,000	41,894	1,894
Intergovernmental	70,658	257,666	321,909	64,243
Gifts and Donations	0	0	245	245
Interest	52,743	57,100	73,682	16,582
Miscellaneous	6,096	6,600	2,215	(4,385)
<i>Total Receipts</i>	<u>582,025</u>	<u>777,145</u>	<u>858,798</u>	<u>81,653</u>
<b>Disbursements</b>				
Current:				
General Government	483,429	493,529	412,164	81,365
Public Safety	165,600	187,600	139,998	47,602
Public Works	8,500	113,400	9,227	104,173
Health	450	5,150	862	4,288
Conservation-Recreation	54,100	65,100	43,246	21,854
Capital Outlay	2,138,772	2,181,192	272,033	1,909,159
<i>Total Disbursements</i>	<u>2,850,851</u>	<u>3,045,971</u>	<u>877,530</u>	<u>2,168,441</u>
<i>Net Change in Fund Balance</i>	(2,268,826)	(2,268,826)	(18,732)	2,250,094
<i>Fund Balance Beginning of Year</i>	2,241,894	2,241,894	2,241,894	0
Prior Year Encumbrances Appropriated	<u>26,932</u>	<u>26,932</u>	<u>26,932</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$2,250,094</u>	<u>\$2,250,094</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 & Bridge Fund  
For the Year Ended December 31, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$710,974	\$710,974	\$673,619	(\$37,355)
Intergovernmental	136,543	136,543	180,356	43,813
Miscellaneous	19,200	21,200	3,305	(17,895)
<i>Total Receipts</i>	<u>866,717</u>	<u>868,717</u>	<u>857,280</u>	<u>(11,437)</u>
<b>Disbursements</b>				
Current:				
Public Works	1,002,561	1,004,561	908,225	96,336
Capital Outlay	49,300	49,300	0	49,300
<i>Total Disbursements</i>	<u>1,051,861</u>	<u>1,053,861</u>	<u>908,225</u>	<u>145,636</u>
<i>Net Change in Fund Balance</i>	(185,144)	(185,144)	(50,945)	134,199
<i>Fund Balance Beginning of Year</i>	<u>185,144</u>	<u>185,144</u>	<u>185,144</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$134,199</u>	<u>\$134,199</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, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$721,141	\$720,356	\$720,356	\$0
Intergovernmental	130,540	138,289	138,289	0
Miscellaneous	2,000	1,000	0	(1,000)
<i>Total Receipts</i>	<u>853,681</u>	<u>859,645</u>	<u>858,645</u>	<u>(1,000)</u>
<b>Disbursements</b>				
Current:				
Public Safety	866,588	866,588	870,135	(3,547)
<i>Excess of Receipts Under Disbursements</i>	(12,907)	(6,943)	(11,490)	(4,547)
<b>Other Financing Sources</b>				
Sale of Capital Assets	0	0	1,000	1,000
<i>Net Change in Fund Balance</i>	(12,907)	(6,943)	(10,490)	(3,547)
<i>Fund Balance Beginning of Year</i>	<u>12,907</u>	<u>12,907</u>	<u>12,907</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$5,964</u></u>	<u><u>\$2,417</u></u>	<u><u>(\$3,547)</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, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,710</u>
<b>Net Assets</b>	
Unreserved:	
Undesignated, Reported in:	
Other Purposes	<u>\$5,710</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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**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.

***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.

***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 the Basis of Accounting section included in this note, 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.

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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***Basis of Presentation***

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

***Government-Wide Financial Statements*** The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, 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 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.

***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 non-exchange transactions as governmental funds. The Township's major governmental funds are the general fund, road and bridge fund, and special fire levy 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.

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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**Road and Bridge Fund**—This fund receives real estate tax and homestead and rollback to maintain and repair township roads and bridges.

**Special Levy Fire Fund** - This fund receives real estate tax and homestead and rollback for costs for operating the fire department.

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.

***Basis of Accounting***

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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.

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

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 and final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time original and final appropriations were passed by the Township.

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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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.

***Cash and Investments***

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

Investments 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 2010, the Township invested in nonnegotiable certificates of deposit and federal home loan bank bonds.

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 2010 was \$73,682 which includes \$6,115 assigned from other Township funds.

***Inventory and Prepaid Items***

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

***Capital Assets***

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

***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.

***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.



**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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**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.

**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 fund and major special revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (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 \$27,820 for the general fund and \$0 for the road and bridge and special levy fire special revenue funds.

**Note 4 – Deposits and Investments**

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

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

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

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

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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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, \$2,084,524 of the Township's bank balance of \$2,446,066 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.

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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**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.

Investments are obligations of the United States Government or obligations explicitly guaranteed by the United States Government and are not considered to have credit risk.

Interest rate risk is limited by the Township's investment policy which requires that operating funds be invested in short-term investments maturing within three years from the date of purchase and that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity

As of December 31, 2010, the Township had \$252,653 in Federal Home Loan Bank Bonds which mature on May 16, 2011

Credit risk is addressed by the Township's investment policy which requires that all investments be authorized by the Ohio Revised Code. The Federal Home Loan Bank Bonds carry an AAA rating by Standard & Poor's.

Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent or more in securities of a single issuer. The Township places no limit on the amount it may invest in a single issuer.

**Note 5 – Property Taxes**

Property taxes include amounts levied against all real, public utility property and tangible personal property located in the Township. Property tax receipts received during 2010 for real and public utility property taxes represent collections of 2009 taxes. Property tax payments received during 2010 for tangible personal property (other than public utility property) are for 2010 taxes.

2010 real property taxes are levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2010 real property taxes are collected in and intended to finance 2011 operations.

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 later payment dates can be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes which became a lien December 31, 2009 are levied after October 1, 2010, and are collected in 2011 with real property taxes.

Tangible personal property tax receipts received during 2010 (other than public utility property tax) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. Payments 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, 2010, was \$12.25 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$216,780,240
Other	17,924,550
Personal Property	
Public Utility	<u>4,303,490</u>
Total Assessed Value	<u><u>\$239,008,280</u></u>

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.

**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.

***Property and Liability***

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

***Casualty Coverage***

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, and provides up to \$1,750,000 per claim and \$10,000,000 in aggregate per year.

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
For the Year Ended December 31, 2010

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For occurrences on or subsequent to January 1, 2006, OTARMA retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000 and provides up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage from \$3,000,000 to \$13,000,000 from General Reinsurance Corporation.

**Property Coverage**

Travelers Indemnity Company reinsures specific losses exceeding \$250,000 and provides up to \$600 million per occurrence subject to an annual aggregate loss payment. Travelers provides aggregate stoploss coverage based upon the combined OTARMA members' total insurable values. 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 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 OTARMA member.

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, 2010 and 2009 (the latest information available):

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, casualty coverage liabilities noted above include approximately \$9.5 million and \$11.5 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$9.5 million and \$11.5 million of unpaid claims to be billed to approximately 940 and 946 member governments in the future, as of December 31, 2010 and 2009, 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 \$41,590. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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

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

<u>Year</u>	<u>Contribution</u>
2010	\$24,459
2009	20,795
2008	23,115

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

***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 Avizent provides administrative, cost control and actuarial services to the GRP.

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2010, member and employer contribution rates were consistent across all three plans.

The Township's 2010 contribution rate was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.87 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$44,899, \$40,386, and \$34,081, respectively. The full amount has been contributed for 2010, 2009 and 2008. There were no Township employees enrolled in the member-directed plan for 2010.

**Note 8 - Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the

**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.0 percent of covered payroll, and public safety and law enforcement employers contributed at 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73 percent from January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010.

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

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2010, 2009 and 2008, were \$25,596, \$29,202 and \$34,081, respectively; 100 percent was contributed for 2010, 2009 and 2008.



**Munson Township, Geauga County**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2010*

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

**Note 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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# Dave Yost • 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 year ended December 31, 2010, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 5, 2012, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted 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(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

We did note a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 5, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

October 5, 2012

**MUNSON TOWNSHIP  
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Accounting for Ohio Public Works Commission Monies – ORC 5705.09 – The Township did not post revenues/expenditures for on behalf payments made directly to a vendor.	Yes	

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# Dave Yost • 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  
OCTOBER 23, 2012**