



Mary Taylor, CPA
Auditor of State

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

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GEAUGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Russell Township
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

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 Russell Township, Geauga County, Ohio (the Township), as of and for the year ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements 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 Russell 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, Police District, Fire District and Road District funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

September 25, 2008

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

This discussion and analysis of the 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 decreased \$1,047,161, or 22 percent, a significant change from the prior year. The large estate tax received in 2006 was used for major expenditures, such as construction costs for the police station and the repaving of two township roads. The estate tax received in 2007 decreased significantly.

The Township's general receipts are primarily property taxes. These receipts represent respectively 68 percent of the total cash received for governmental activities during the year. Property receipts for 2007 changed very little compared to 2006.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the 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 investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and intergovernmental.

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

Governmental activities - Most of the Township's basic services are reported here, including police, fire and roads. Property taxes, Grants and Entitlements not Restricted to Specific Programs finance most of these activities.

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 governmental funds.

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 Fund, Road and Bridge Fund, Police District Fund, Fire District Fund, Road District Fund and Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

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	
	2007	2006
Assets		
Cash and Cash Equivalents	\$3,633,824	\$4,680,985
Total Assets	\$3,633,824	\$4,680,985
 Net Assets		
Restricted for:		
Debt Service	\$284,501	\$272,389
Capital Projects	701,313	1,604,032
Other Purposes	1,334,038	1,042,264
Unrestricted	1,313,972	1,762,300
Total Net Assets	\$3,633,824	\$4,680,985

As mentioned previously, net assets of governmental activities decreased \$1,047,161 or 22 percent during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

- The large estate tax received in 2006 was used on major expenditures: the construction of a new police station and resurfacing of four roads.
- The salary increases made in the Police Department were because of a need to have the salaries in line with surrounding departments.

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

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

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$93,114	\$54,585
Operating Grants and Contributions	126,055	124,791
Total Program Receipts	<u>219,169</u>	<u>179,376</u>
General Receipts:		
Property and Other Local Taxes	2,649,178	2,628,375
Grants and Entitlements Not Restricted to Specific Programs	660,790	1,968,703
Interest	227,713	221,944
Sale of Assets	8,000	20,255
Cable Franchise Fees	38,196	36,166
Miscellaneous	112,462	78,090
Total General Receipts	<u>3,696,339</u>	<u>4,953,533</u>
Total Receipts	<u>3,915,508</u>	<u>5,132,909</u>
Disbursements:		
General Government	733,050	700,028
Public Safety	1,393,144	1,340,527
Public Works	1,267,352	1,604,268
Health	21,590	18,926
Capital Outlay	1,310,550	409,865
Principal Retirement	140,000	140,000
Interest and Fiscal Charges	96,983	101,259
Total Disbursements	<u>4,962,669</u>	<u>4,314,873</u>
Increase (Decrease) in Net Assets	(1,047,161)	818,036
Net Assets, January 1, 2007	<u>4,680,985</u>	<u>3,862,949</u>
Net Assets, December 31, 2007	<u>\$3,633,824</u>	<u>\$4,680,985</u>

Program receipts represent only six percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services such as motor vehicle license, gas tax money, fire fees, police fines, and zoning fees.

General receipts represent 94 percent of the Township's total receipts, and of this amount, over 67 percent are local taxes. State and federal grants and entitlements make up the approximately 17% of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Russell Township
Management's Discussion and Analysis
For the Year Ended December 31, 2007
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 Trustees and staff, Zoning Department personnel and Zoning Commission costs, Maintenance Department personnel and costs, and cemetery maintenance as well as internal services such as payroll and purchasing.

Public Safety is the costs of police and fire protection; Public Works is the cost of the Township Road maintenance. Capital Outlay is the cost of equipment for the Police, Fire and Road Departments as well as the cost of maintaining buildings.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety, Public Works, and capital outlay, which account for 28, 25, and 26 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 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 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$733,050	(\$725,440)	\$700,028	(\$692,058)
Public Safety	1,393,144	(1,311,650)	1,340,527	(1,304,097)
Public Works	1,267,352	(1,144,447)	1,604,268	(1,479,477)
Health	21,590	(15,190)	18,926	(8,741)
Capital Outlay	1,310,550	(1,310,550)	409,865	(409,865)
Principal Retirement	140,000	(140,000)	140,000	(140,000)
Interest and Fiscal Charges	96,983	(96,983)	101,259	(101,259)
Other	0	760	0	0
Total Expenses	\$4,962,669	(\$4,743,500)	\$4,314,873	(\$4,135,497)

The dependence upon property tax receipts is apparent as over 67 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$3,915,508 and disbursements of \$4,962,669. The high disbursements were due primarily to the construction of the Police Station.

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

General Fund Budgeting Highlights

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

During 2007, the Township amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were the same as the original budgeted receipts.

Final disbursements were budgeted at \$2,263,222 while actual disbursements were \$1,388,537. The Township's actual disbursements were \$874,685 less than the final budget.

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 Russell Township's outstanding debt included \$1,999,999 in general obligation bonds issued for the construction of the Fire Station and \$210,000 in acquisition bonds.

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. A concern for the Township is that new housing starts are down and the property tax will have little increase.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gerri Heck, Fiscal Officer Russell Township P.O. Box 522 Novelty, Ohio 44072.

RUSSELL TOWNSHIP
GEOUGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$3,633,824</u>
<i>Total Assets</i>	<u><u>\$3,633,824</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$701,313
Debt Service	284,501
Other Purposes	1,334,038
Unrestricted	<u>1,313,972</u>
<i>Total Net Assets</i>	<u><u>\$3,633,824</u></u>

See accompanying notes to the basic financial statements

RUSSELL TOWNSHIP
GEAUGA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets
				Governmental Activities
Governmental Activities				
General Government	\$733,050	\$7,610	\$0	(\$725,440)
Public Safety	1,393,144	81,494	0	(1,311,650)
Public Works	1,267,352	0	122,905	(1,144,447)
Health	21,590	3,250	3,150	(15,190)
Other	0	760	0	760
Capital Outlay	1,310,550	0	0	(1,310,550)
Debt Service:				
Principal Retirement	140,000	0	0	(140,000)
Interest and Fiscal Charges	96,983	0	0	(96,983)
<i>Total Governmental Activities</i>	<u>\$4,962,669</u>	<u>\$93,114</u>	<u>\$126,055</u>	<u>(4,743,500)</u>
		General Receipts		
		Property Taxes		2,649,178
		Cable Franchise Fees		38,196
		Grants and Entitlements not Restricted to Specific Programs		660,790
		Sale of Capital Assets		8,000
		Interest		227,713
		Miscellaneous		112,462
		<i>Total General Receipts</i>		<u>3,696,339</u>
		Change in Net Assets		(1,047,161)
		<i>Net Assets Beginning of Year</i>		<u>4,680,985</u>
		<i>Net Assets End of Year</i>		<u>\$3,633,824</u>

See accompanying notes to the basic financial statements

RUSSELL TOWNSHIP
GEUAGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Road and Bridge	Police District	Fire Distirct	Road District	Capital Projects	Other Governmental	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$1,313,972	\$277,477	\$328,673	\$148,728	\$365,593	\$701,313	\$498,068	\$3,633,824
<i>Total Assets</i>	<u>\$1,313,972</u>	<u>\$277,477</u>	<u>\$328,673</u>	<u>\$148,728</u>	<u>\$365,593</u>	<u>\$701,313</u>	<u>\$498,068</u>	<u>\$3,633,824</u>
Fund Balances								
Reserved:								
Reserved for Encumbrances	\$95,234	\$19,971	\$58,403	\$9,943	\$57,075	\$664,738	\$855	\$906,219
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	1,218,738	0	0	0	0	0	0	1,218,738
Special Revenue Funds	0	257,506	270,270	138,785	308,518	0	212,712	1,187,791
Debt Service Fund	0	0	0	0	0	0	284,501	284,501
Capital Projects Funds	0	0	0	0	0	36,575	0	36,575
<i>Total Fund Balances</i>	<u>\$1,313,972</u>	<u>\$277,477</u>	<u>\$328,673</u>	<u>\$148,728</u>	<u>\$365,593</u>	<u>\$701,313</u>	<u>\$498,068</u>	<u>\$3,633,824</u>

See accompanying notes to the basic financial statements

RUSSELL 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	Police District	Fire District	Road District	Capital Projects	Other Governmental	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$176,621	\$494,537	\$875,252	\$468,337	\$406,758	\$0	\$227,673	\$2,649,178
Licenses, Permits and Fees	38,970	0	0	0	0	0	80,404	\$119,374
Fines and Forfeitures	11,950	0	0	0	0	0	0	\$11,950
Intergovernmental	314,817	68,061	123,527	71,761	58,095	0	147,435	\$783,696
Earnings on Investment	225,569	0	0	0	0	0	2,145	\$227,714
Miscellaneous	75,420	240	4,196	1,060	0	0	3,309	\$84,225
Total Receipts	843,347	562,838	1,002,975	541,158	464,853	0	460,966	3,876,137
Disbursements								
Current:								
General Government	727,947	0	0	0	0	0	5,103	733,050
Public Safety	1,502	0	846,265	535,274	0	0	10,103	1,393,144
Public Works	334,365	469,352	0	0	306,533	0	157,102	1,267,352
Health	15,143	0	0	0	0	0	6,447	21,590
Capital Outlay	214,346	0	87,041	34,517	68,484	905,982	180	1,310,550
Debt Service:								
Principal Retirement	0	0	0	0	0	0	140,000	140,000
Interest and Fiscal Charges	0	0	0	0	0	0	96,983	96,983
Total Disbursements	1,293,303	469,352	933,306	569,791	375,017	905,982	415,918	4,962,669
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(449,956)</i>	<i>93,486</i>	<i>69,669</i>	<i>(28,633)</i>	<i>89,836</i>	<i>(905,982)</i>	<i>45,048</i>	<i>(1,086,532)</i>
Other Financing Sources (Uses)								
Sale of Capital Assets	0	0	0	0	8,000	0	0	8,000
Other Financing Sources	1,628	651	2,822	3,719	19,288	3,263	0	31,371
Total Other Financing Sources (Uses)	1,628	651	2,822	3,719	27,288	3,263	0	39,371
Net Change in Fund Balances	(448,328)	94,137	72,491	(24,914)	117,124	(902,719)	45,048	(1,047,161)
Fund Balances Beginning of Year	1,762,300	183,340	256,182	173,642	248,469	1,604,032	453,020	4,680,985
Fund Balances End of Year	\$1,313,972	\$277,477	\$328,673	\$148,728	\$365,593	\$701,313	\$498,068	\$3,633,824

See accompanying notes to the basic financial statements

**RUSSELL 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	\$175,664	\$175,664	\$176,621	\$957
Licenses, Permits and Fees	37,444	37,444	38,970	1,526
Fines and Forfeitures	8,549	8,549	11,950	3,401
Intergovernmental	128,981	128,981	314,817	185,836
Earnings on Investment	129,375	129,375	225,569	96,194
Miscellaneous	38,164	38,164	75,420	37,256
<i>Total Receipts</i>	518,177	518,177	843,347	325,170
Disbursements				
Current:				
General Government	1,330,452	1,330,452	809,053	521,399
Public Safety	8,957	8,957	1,502	7,455
Public Works	431,703	431,703	343,801	87,902
Health	18,808	18,808	15,143	3,665
Capital Outlay	473,302	473,302	219,038	254,264
<i>Total Disbursements</i>	2,263,222	2,263,222	1,388,537	874,685
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,745,045)	(1,745,045)	(545,190)	1,199,855
Other Financing Sources (Uses)				
Other Financing Sources	500	500	1,628	1,128
<i>Total Other Financing Sources (Uses)</i>	500	500	1,628	1,128
<i>Net Change in Fund Balance</i>	(1,744,545)	(1,744,545)	(543,562)	1,200,983
<i>Fund Balance Beginning of Year</i>	1,610,508	1,610,508	1,610,508	0
Prior Year Encumbrances Appropriated	151,792	151,792	151,792	0
<i>Fund Balance End of Year</i>	\$17,755	\$17,755	\$1,218,738	\$1,200,983

See accompanying notes to the basic financial statements

**RUSSELL 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*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$491,861	\$491,861	\$494,537	\$2,676
Intergovernmental	56,301	56,301	68,061	11,760
Miscellaneous	500	500	240	(260)
<i>Total Receipts</i>	<u>548,662</u>	<u>548,662</u>	<u>562,838</u>	<u>14,176</u>
Disbursements				
Current:				
Public Works	633,160	633,160	489,323	143,837
Capital Outlay	98,210	98,210	0	98,210
<i>Total Disbursements</i>	<u>731,370</u>	<u>731,370</u>	<u>489,323</u>	<u>242,047</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(182,708)</u>	<u>(182,708)</u>	<u>73,515</u>	<u>256,223</u>
Other Financing Sources (Uses)				
Other Financing Sources	0	0	651	651
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>651</u>	<u>651</u>
<i>Net Change in Fund Balance</i>	(182,708)	(182,708)	74,166	256,874
<i>Fund Balance Beginning of Year</i>	180,322	180,322	180,322	0
Prior Year Encumbrances Appropriated	<u>3,018</u>	<u>3,018</u>	<u>3,018</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$632</u>	<u>\$632</u>	<u>\$257,506</u>	<u>\$256,874</u>

See accompanying notes to the basic financial statements

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police District Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$861,672	\$861,672	\$875,252	\$13,580
Intergovernmental	98,945	98,945	123,527	24,582
Miscellaneous	500	500	4,196	3,696
<i>Total Receipts</i>	<u>961,117</u>	<u>961,117</u>	<u>1,002,975</u>	<u>41,858</u>
Disbursements				
Current:				
Public Safety	988,803	988,803	861,903	126,900
Capital Outlay	228,445	228,445	129,806	98,639
<i>Total Disbursements</i>	<u>1,217,248</u>	<u>1,217,248</u>	<u>991,709</u>	<u>225,539</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(256,131)</u>	<u>(256,131)</u>	<u>11,266</u>	<u>267,397</u>
Other Financing Sources (Uses)				
Other Financing Sources	0	0	2,822	2,822
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>2,822</u>	<u>2,822</u>
<i>Net Change in Fund Balance</i>	(256,131)	(256,131)	14,088	270,219
<i>Fund Balance Beginning of Year</i>	234,858	234,858	234,858	0
Prior Year Encumbrances Appropriated	21,324	21,324	21,324	0
<i>Fund Balance End of Year</i>	<u>\$51</u>	<u>\$51</u>	<u>\$270,270</u>	<u>\$270,219</u>

See accompanying notes to the basic financial statements

RUSSELL TOWNSHIP
GEAUGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$461,557	\$461,557	\$468,337	\$6,780
Intergovernmental	57,516	57,516	71,761	14,245
Miscellaneous	1,500	1,500	1,060	(440)
<i>Total Receipts</i>	<u>520,573</u>	<u>520,573</u>	<u>541,158</u>	<u>20,585</u>
Disbursements				
Current:				
Public Safety	622,953	622,953	545,217	77,736
Capital Outlay	69,706	69,706	34,518	35,188
<i>Total Disbursements</i>	<u>692,659</u>	<u>692,659</u>	<u>579,735</u>	<u>112,924</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(172,086)</u>	<u>(172,086)</u>	<u>(38,577)</u>	<u>133,509</u>
Other Financing Sources (Uses)				
Other Financing Sources	0	0	3,719	3,719
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>3,719</u>	<u>3,719</u>
<i>Net Change in Fund Balance</i>	(172,086)	(172,086)	(34,858)	137,228
<i>Fund Balance Beginning of Year</i>	167,620	167,620	167,620	0
Prior Year Encumbrances Appropriated	6,023	6,023	6,023	0
<i>Fund Balance End of Year</i>	<u><u>\$1,557</u></u>	<u><u>\$1,557</u></u>	<u><u>\$138,785</u></u>	<u><u>\$137,228</u></u>

See accompanying notes to the basic financial statements

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road District Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$399,265	\$399,265	\$406,758	\$7,493
Intergovernmental	45,951	45,951	58,095	12,144
<i>Total Receipts</i>	<u>445,216</u>	<u>445,216</u>	<u>464,853</u>	<u>19,637</u>
Disbursements				
Current:				
Public Works	499,954	499,954	309,392	190,562
Capital Outlay	193,700	193,700	122,699	71,001
<i>Total Disbursements</i>	<u>693,654</u>	<u>693,654</u>	<u>432,091</u>	<u>261,563</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(248,438)</u>	<u>(248,438)</u>	<u>32,762</u>	<u>281,200</u>
Other Financing Sources (Uses)				
Sales of Capital Assets	0	0	8,000	8,000
Other Financing Sources	0	0	19,288	19,288
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>27,288</u>	<u>27,288</u>
<i>Net Change in Fund Balance</i>	(248,438)	(248,438)	60,050	308,488
<i>Fund Balance Beginning of Year</i>	238,204	238,204	238,204	0
Prior Year Encumbrances Appropriated	10,264	10,264	10,264	0
<i>Fund Balance End of Year</i>	<u>\$30</u>	<u>\$30</u>	<u>\$308,518</u>	<u>\$308,488</u>

See accompanying notes to the basic financial statements

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Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 1 – Reporting Entity

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

The reporting entity is comprised of the primary government.

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, cemetery maintenance, police protection and fire and rescue services.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Township. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance 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.

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, the Road and Bridge Fund, the Police District Fund, the Fire District Fund, the Road District Fund, and the Capital Projects Fund. The General 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. The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing township roads and bridges. The Police District Fund receives property tax money voted by the citizens to provide police protection to the Township residents. The Fire District receives property tax money voted by the citizens to provide fire protection and rescue service to the township residents. The Road District receives property tax money voted on by the citizens for constructing, maintaining and repairing Township roads.

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

C. Basis of Accounting

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

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

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated 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 that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

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

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

During 2007, the Township invested in a premier money market account and STAR Ohio. The Township's money market account investment is recorded at the amount reported by Huntington National Bank on December 31, 2007.

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.

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

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 \$225,569, which includes \$92,738 assigned from other Township funds. Interest receipts during 2007 credited to the Motor Vehicle License Tax Fund were \$729 and to the Gasoline Tax were \$1,416.

F. 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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Road Maintenance, Police Protection, Fire and Rescue Protection and Zoning. None are restricted by enabling legislation.

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.

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

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

M. Interfund Transactions

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, the road and bridge fund, the police district fund, the fire district fund and the road district fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance. The encumbrances outstanding at year-end amounted to \$95,234 for the general fund, \$19,971 for the road and bridge fund, \$58,403 for the police district fund, \$9,943 for the fire district fund, and \$57,075 for the road district 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 are deposited or invested in the following securities:

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 4 - Deposits and Investments (continued)

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,
3. 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;
4. 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;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. 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;
8. 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.

At year end, the Township had no undeposited cash on hand

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, \$949,779 of the Township's bank balance of \$1,049,779 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 4 - Deposits and Investments (continued)

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

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$2,685,329	Less than One Year
Total Investments	<u>\$2,685,329</u>	

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Property Taxes (continued)

payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$21.09 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	\$	259,947,690
Public Utility Property	\$	5,795,950
Tangible Personal Property	\$	200,835
Total Assessed Value	\$	265,944,475

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

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007 the Township contracted with Arrowhead Public Facility.

Type of Coverage	Amount of Coverage	
General Liability	\$1,000,000	Per Occurrence
Automobile Liability	\$1,000,000	Per Occurrence
Law Enforcement Liability	\$1,000,000	Per Occurrence
Crime	\$1,000,000	Per Occurrence
Property	\$1,000,000	Per Occurrence
Public Officials Liability	\$1,000,000	Per Occurrence
Employment Practices Liability	\$1,000,000	Per Occurrence
Umbrella	\$4,000,000	Per Occurrence

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs. The System administers and pays all claims.

Note 7 – 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, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 17.17 percent of covered payroll. 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, 2007, 2006, and 2005 were \$134,289, \$145,852, and \$136,001 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007 were \$4,148 made by the Township and \$2,852 made by the plan members.

Note 8 - 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 2007 local government employer contribution rate was 13.85 percent of

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

covered payroll (17.17 percent for public safety and law enforcement); January 1, 2007 to June 30, **Note 8 - Postemployment Benefits** (continued)

2007 5.0 percent; July 1, 2007 to December 31, 2007 6.0 percent of covered payroll was the portion that was used to fund health care.

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, 2007, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$74,334. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

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 health care plan.

Note 9 – Debt

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

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Governmental Activities						
General Obligation Bonds						
2002 Issue (\$3,952,225) - Fire Station Construction	1.5-4.85%	\$2,109,999	\$0	\$110,000	\$1,999,999	\$115,000
Fire Truck Acquisition Bonds - 2004 Issue (300,000)	4.17%	\$240,000	\$0	\$30,000	\$210,000	\$30,000
Total		\$2,349,999	\$0	\$140,000	\$2,209,999	\$145,000

Russell Township
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 9 – Debt (continued)

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

Year	G.O. Bonds	
	Principal	Interest
2008	\$145,000	\$ 92,432
2009	150,000	87,386
2010	150,000	81,935
2011	155,000	76,904
2012	82,217	147,903
2013 – 2017	667,782	381,584
2018 – 2022	860,000	128,710
Totals	\$2,209,999	\$996,854

The debt will be paid from the debt service fund.

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$27,924,170 and an unvoted debt margin of \$ 14,626,946.

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

This discussion and analysis of the Township's 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 \$818,036, or 21 percent, a significant change from the prior year. The affect was a Capital Projects Fund was established for the construction of a Police station. A large estate tax was received and a portion was transferred from the General Fund to establish the Capital Projects Fund.

The Township's general receipts are primarily property taxes. These receipts represent respectively 51 percent of the total cash received for governmental activities during the year. Property receipts for 2006 increased 12 percent compared to 2005.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Government 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 investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and intergovernmental.

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

Governmental activities - Most of the Township's basic services are reported here, including police, fire and roads. Property taxes, Grants and Entitlements not Restricted to Specific Programs finance most of these activities.

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 governmental funds.

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 Fund, Road and Bridge Fund, Police District Fund, Fire District Fund, Road District Fund and Capital Projects Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

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

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

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$4,680,985	\$3,862,949
Total Assets	\$4,680,985	\$3,862,949
Net Assets		
Restricted for:		
Debt Service	\$272,389	\$263,247
Capital Projects	1,604,032	0
Other Purposes	1,042,264	1,367,894
Unrestricted	1,762,300	2,231,808
Total Net Assets	\$4,680,985	\$3,862,949

As mentioned previously, net assets of governmental activities increased \$ 818,036 or 21 percent during 2006. The primary reasons contributing to the increase in the cash balance was the receipt of a large estate tax.

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

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

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services	\$54,585	\$0
Operating Grants and Contributions	124,791	126,409
Capital Grants and Contributions	0	89,355
Total Program Receipts	<u>179,376</u>	<u>215,764</u>
General Receipts:		
Property and Other Local Taxes	2,628,375	2,354,168
Cable Franchise Fess	36,166	0
Grants and Entitlements Not Restricted to Specific Programs	1,968,703	566,170
Interest	221,944	135,043
Sale of Assests	20,255	6,566
Miscellaneous	78,090	74,509
Total General Receipts	<u>4,953,533</u>	<u>3,136,456</u>
Total Receipts	<u>5,132,909</u>	<u>3,352,220</u>
Disbursements:		
General Government	700,028	612,100
Public Safety	1,340,527	1,302,276
Public Works	1,604,268	1,212,986
Health	18,926	17,494
Capital Outlay	409,865	205,757
Principal Retirement	140,000	135,000
Interest and Fiscal Charges	101,259	108,938
Total Disbursements	<u>4,314,873</u>	<u>3,594,551</u>
Increase (Decrease) in Net Assets	818,036	(242,331)
Net Assets, January 1, 2006	<u>3,862,949</u>	<u>4,105,280</u>
Net Assets, December 31, 2006	<u>\$4,680,985</u>	<u>\$3,862,949</u>

Program receipts represent less than four percent of total receipts and are primarily comprised of restricted intergovernmental receipts and charges for services such as motor vehicle license, gas tax money, fire fees, police fines, and zoning fees.

General receipts represent 97 percent of the Township's total receipts, and of this amount, over 51 percent are local taxes. State and federal grants and entitlements make up the approximately 39% of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Russell Township
Management's Discussion and Analysis
For the Year Ended December 31, 2006
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 Trustees and staff, Zoning Department personnel and Zoning Commission costs, Maintenance Department personnel and costs, and cemetery maintenance as well as internal services such as payroll and purchasing.

Public Safety is the costs of police and fire protection; Public Works is the cost of the Township Road maintenance. Capital Outlay is the cost of equipment for the Police, Fire and Road Departments as well as the cost of maintaining buildings.

Governmental Activities

If you look at the Statement of Activities on page 38, 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 31 and 37 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 16 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	\$700,028	(\$692,058)	\$612,100	(\$597,465)
Public Safety	1,340,527	(1,304,097)	1,302,276	(1,210,060)
Public Works	1,604,268	(1,479,477)	1,212,986	(1,112,623)
Health	18,926	(8,741)	17,494	(8,944)
Capital Outlay	409,865	(409,865)	205,757	(205,757)
Principal Retirement	140,000	(140,000)	135,000	(135,000)
Interest and Fiscal Charges	101,259	(101,259)	108,938	(108,938)
Total Expenses	4,314,873	(4,135,497)	3,594,551	(3,378,787)

The dependence upon property tax receipts is apparent as over 51 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$5,132,909 and disbursements of \$4,314,873. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$469,508 as the result of the transfer of \$1,600,000 transfer to a Capital Project Fund for the building of a new Police Station.

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 2006, the Township amended its General Fund budget to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected inheritance tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$4,116,870 while actual disbursements were \$2,732,631. The Township's actual disbursements were \$1,384,239 more than the final budget.

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 Russell Township's outstanding debt included \$2,109,999 in general obligation bonds issued for the construction of the Fire Station and \$240,000 in acquisition bonds.

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 Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Gerri Heck, Fiscal Officer Russell Township P.O. Box 522 Novelty, Ohio 44072.

RUSSELL TOWNSHIP
GEAUGA COUNTY
Statement of Net Assets - Cash Basis
December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$4,680,985</u>
<i>Total Assets</i>	<u><u>\$4,680,985</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$1,604,032
Debt Service	272,389
Other Purposes	1,042,264
Unrestricted	<u>1,762,300</u>
<i>Total Net Assets</i>	<u><u>\$4,680,985</u></u>

See accompanying notes to the basic financial statements

RUSSELL 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	\$700,028	\$7,970	\$0	(\$692,058)
Public Safety	1,340,527	36,430	0	(1,304,097)
Public Works	1,604,268	0	124,791	(1,479,477)
Health	18,926	10,185	0	(8,741)
Capital Outlay	409,865	0	0	(409,865)
Debt Service:				
Principal Retirement	140,000	0	0	(140,000)
Interest and Fiscal Charges	101,259	0	0	(101,259)
<i>Total Governmental Activities</i>	<u>\$4,314,873</u>	<u>\$54,585</u>	<u>\$124,791</u>	<u>(4,135,497)</u>
		General Receipts		
		Property Taxes		2,628,375
		Cable Franchise Fees		36,166
		Grants and Entitlements not Restricted to Specific Programs		1,968,703
		Sale of Capital Assets		20,255
		Interest		221,944
		Miscellaneous		78,090
		<i>Total General Receipts</i>		<u>4,953,533</u>
		Change in Net Assets		818,036
		<i>Net Assets Beginning of Year</i>		<u>3,862,949</u>
		<i>Net Assets End of Year</i>		<u>\$4,680,985</u>

See accompanying notes to the basic financial statements

RUSSELL TOWNSHIP
GEUAGA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Road and Bridge	Police District	Fire Distirct	Road District	Capital Projects	Other Governmental	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$1,762,300	\$183,340	\$256,182	\$173,642	\$248,468	\$1,604,032	\$453,020	\$4,680,984
<i>Total Assets</i>	<u>\$1,762,300</u>	<u>\$183,340</u>	<u>\$256,182</u>	<u>\$173,642</u>	<u>\$248,468</u>	<u>\$1,604,032</u>	<u>\$453,020</u>	<u>\$4,680,984</u>
Fund Balances								
Reserved:								
Reserved for Encumbrances	\$151,792	\$3,018	\$21,324	\$6,023	\$10,264	\$0	\$529	\$192,950
Unreserved:								
Undesignated (Deficit), Reported in:								
General Fund	1,610,508	0	0	0	0	0	0	1,610,508
Special Revenue Funds	0	180,322	234,858	167,619	238,205	0	180,102	1,001,106
Debt Service Fund	0	0	0	0	0	0	272,389	272,389
Capital Projects Funds	0	0	0	0	0	1,604,032	0	1,604,032
<i>Total Fund Balances</i>	<u>\$1,762,300</u>	<u>\$183,340</u>	<u>\$256,182</u>	<u>\$173,642</u>	<u>\$248,469</u>	<u>\$1,604,032</u>	<u>\$453,020</u>	<u>\$4,680,985</u>

See accompanying notes to the basic financial statements

**RUSSELL 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	Police District	Fire District	Road District	Capital Projects	Other Governmental	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$177,195	\$492,159	\$865,257	\$462,040	\$402,871	\$0	\$228,852	\$2,628,374
Licenses, Permits and Fees	36,191	0	25	0	0	0	46,335	\$82,551
Fines and Forfeitures	8,175	0	0	0	0	0	0	\$8,175
Intergovernmental	1,619,427	68,327	124,314	72,621	59,503	0	149,302	\$2,093,494
Earnings on Investment	213,065	0	0	0	0	4,032	4,847	\$221,944
Miscellaneous	56,096	280	8,494	7,000	0	0	279	\$72,149
<i>Total Receipts</i>	<u>2,110,149</u>	<u>560,766</u>	<u>998,090</u>	<u>541,661</u>	<u>462,374</u>	<u>4,032</u>	<u>429,615</u>	<u>5,106,687</u>
Disbursements								
Current:								
General Government	693,092	0	0	0	0	0	6,936	700,028
Public Safety	1,942	0	805,437	528,639	0	0	4,510	1,340,528
Public Works	5,707	660,252	0	0	845,400	0	92,908	1,604,267
Health	12,456	0	0	0	0	0	6,470	18,926
Capital Outlay	267,642	13,161	28,839	39,856	55,128	0	5,239	409,865
Debt Service:								
Principal Retirement	0	0	0	0	0	0	140,000	140,000
Interest and Fiscal Charges	0	0	0	0	0	0	101,259	101,259
<i>Total Disbursements</i>	<u>980,839</u>	<u>673,413</u>	<u>834,276</u>	<u>568,495</u>	<u>900,528</u>	<u>0</u>	<u>357,322</u>	<u>4,314,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,129,310</u>	<u>(112,647)</u>	<u>163,814</u>	<u>(26,834)</u>	<u>(438,154)</u>	<u>4,032</u>	<u>72,293</u>	<u>791,814</u>
Other Financing Sources (Uses)								
Sale of Capital Assets	0	0	0	12,105	8,150	0	0	20,255
Transfers In	0	0	0	0	0	1,600,000	0	1,600,000
Transfers Out	(1,600,000)	0	0	0	0	0	0	(1,600,000)
Other Financing Sources	1,182	500	1,510	2,655	120	0	0	5,967
<i>Total Other Financing Sources (Uses)</i>	<u>(1,598,818)</u>	<u>500</u>	<u>1,510</u>	<u>14,760</u>	<u>8,270</u>	<u>1,600,000</u>	<u>0</u>	<u>26,222</u>
<i>Net Change in Fund Balances</i>	<u>(469,508)</u>	<u>(112,147)</u>	<u>165,324</u>	<u>(12,074)</u>	<u>(429,884)</u>	<u>1,604,032</u>	<u>72,293</u>	<u>818,036</u>
<i>Fund Balances Beginning of Year</i>	<u>2,231,808</u>	<u>295,487</u>	<u>90,858</u>	<u>185,716</u>	<u>678,353</u>	<u>0</u>	<u>380,727</u>	<u>3,862,949</u>
<i>Fund Balances End of Year</i>	<u>\$1,762,300</u>	<u>\$183,340</u>	<u>\$256,182</u>	<u>\$173,642</u>	<u>\$248,469</u>	<u>\$1,604,032</u>	<u>\$453,020</u>	<u>\$4,680,985</u>

See accompanying notes to the basic financial statements

**RUSSELL 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*

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$175,327	\$175,327	\$177,195	\$1,868
Licenses, Permits and Fees	26,910	26,910	36,191	9,281
Fines and Forfeitures	10,350	10,350	8,175	(2,175)
Intergovernmental	130,340	1,601,158	1,619,427	18,269
Earnings on Investment	48,645	48,645	213,065	164,420
Miscellaneous	27,000	27,000	56,096	29,096
<i>Total Receipts</i>	<u>418,572</u>	<u>1,889,390</u>	<u>2,110,149</u>	<u>220,759</u>
Disbursements				
Current:				
General Government	833,863	1,032,863	844,404	188,459
Public Safety	13,338	13,338	1,961	11,377
Public Works	31,438	31,438	6,168	25,270
Health	27,000	27,000	12,456	14,544
Capital Outlay	1,740,413	1,412,231	267,642	1,144,589
<i>Total Disbursements</i>	<u>2,646,052</u>	<u>2,516,870</u>	<u>1,132,631</u>	<u>1,384,239</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,227,480)</u>	<u>(627,480)</u>	<u>977,518</u>	<u>1,604,998</u>
Other Financing Sources (Uses)				
Transfers Out	0	(1,600,000)	(1,600,000)	0
Other Financing Sources	500	500	1,182	682
<i>Total Other Financing Sources (Uses)</i>	<u>500</u>	<u>(1,599,500)</u>	<u>(1,598,818)</u>	<u>682</u>
<i>Net Change in Fund Balance</i>	(2,226,980)	(2,226,980)	(621,300)	1,605,680
<i>Fund Balance Beginning of Year</i>	2,195,392	2,195,392	2,195,392	0
Prior Year Encumbrances Appropriated	36,416	36,416	36,416	0
<i>Fund Balance End of Year</i>	<u>\$4,828</u>	<u>\$4,828</u>	<u>\$1,610,508</u>	<u>\$1,605,680</u>

See accompanying notes to the basic financial statements

**RUSSELL 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	\$490,737	\$490,737	\$492,159	\$1,422
Intergovernmental	60,263	60,263	68,327	8,064
Miscellaneous	1,000	1,000	280	(720)
<i>Total Receipts</i>	<u>552,000</u>	<u>552,000</u>	<u>560,766</u>	<u>8,766</u>
Disbursements				
Current:				
Public Works	707,894	776,394	663,270	113,124
Capital Outlay	139,216	70,716	13,161	57,555
<i>Total Disbursements</i>	<u>847,110</u>	<u>847,110</u>	<u>676,431</u>	<u>170,679</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(295,110)</u>	<u>(295,110)</u>	<u>(115,665)</u>	<u>179,445</u>
Other Financing Sources (Uses)				
Other Financing Sources	0	0	500	500
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>500</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	(295,110)	(295,110)	(115,165)	179,945
<i>Fund Balance Beginning of Year</i>	286,259	286,259	286,259	0
Prior Year Encumbrances Appropriated	9,228	9,228	9,228	0
<i>Fund Balance End of Year</i>	<u>\$377</u>	<u>\$377</u>	<u>\$180,322</u>	<u>\$179,945</u>

See accompanying notes to the basic financial statements

RUSSELL TOWNSHIP
GEOUGA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police District Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$859,944	\$859,944	\$865,257	\$5,313
License, Permits and Fees	0	0	25	25
Intergovernmental	112,768	112,768	124,314	11,546
Miscellaneous	675	675	8,494	7,819
<i>Total Receipts</i>	<u>973,387</u>	<u>973,387</u>	<u>998,090</u>	<u>24,703</u>
Disbursements				
Current:				
Public Safety	950,068	952,759	807,962	144,797
Capital Outlay	108,610	105,919	47,638	58,281
<i>Total Disbursements</i>	<u>1,058,678</u>	<u>1,058,678</u>	<u>855,600</u>	<u>203,078</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(85,291)</u>	<u>(85,291)</u>	<u>142,490</u>	<u>227,781</u>
Other Financing Sources (Uses)				
Other Financing Sources	0	0	1,510	1,510
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>1,510</u>	<u>1,510</u>
<i>Net Change in Fund Balance</i>	(85,291)	(85,291)	144,000	229,291
<i>Fund Balance Beginning of Year</i>	76,534	76,534	76,534	0
Prior Year Encumbrances Appropriated	14,324	14,324	14,324	0
<i>Fund Balance End of Year</i>	<u>\$5,567</u>	<u>\$5,567</u>	<u>\$234,858</u>	<u>\$229,291</u>

See accompanying notes to the basic financial statements

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$498,692	\$498,692	\$462,040	(\$36,652)
Intergovernmental	65,582	65,582	72,621	7,039
Miscellaneous	12,623	12,623	7,000	(5,623)
<i>Total Receipts</i>	<u>576,897</u>	<u>576,897</u>	<u>541,661</u>	<u>(35,236)</u>
Disbursements				
Current:				
Public Safety	609,048	614,048	534,662	79,386
Capital Outlay	151,807	146,807	39,856	106,951
<i>Total Disbursements</i>	<u>760,855</u>	<u>760,855</u>	<u>574,518</u>	<u>186,337</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(183,958)</u>	<u>(183,958)</u>	<u>(32,857)</u>	<u>151,101</u>
Other Financing Sources (Uses)				
Sales of Capital Assets	0	0	12,105	12,105
Other Financing Sources	0	0	2,655	2,655
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>14,760</u>	<u>14,760</u>
<i>Net Change in Fund Balance</i>	(183,958)	(183,958)	(18,097)	165,861
<i>Fund Balance Beginning of Year</i>	166,570	166,570	166,570	0
Prior Year Encumbrances Appropriated	19,146	19,146	19,146	0
<i>Fund Balance End of Year</i>	<u>\$1,758</u>	<u>\$1,758</u>	<u>\$167,619</u>	<u>\$165,861</u>

See accompanying notes to the basic financial statements

**RUSSELL TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road District Fund
For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$397,607	\$397,607	\$402,871	\$5,264
Intergovernmental	54,553	54,553	59,503	4,950
<i>Total Receipts</i>	<u>452,160</u>	<u>452,160</u>	<u>462,374</u>	<u>10,214</u>
Disbursements				
Current:				
Public Works	985,997	985,997	855,663	130,334
Capital Outlay	144,129	144,129	55,129	89,000
<i>Total Disbursements</i>	<u>1,130,126</u>	<u>1,130,126</u>	<u>910,792</u>	<u>219,334</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(677,966)</u>	<u>(677,966)</u>	<u>(448,418)</u>	<u>229,548</u>
Other Financing Sources (Uses)				
Sales of Capital Assets	0	0	8,150	8,150
Other Financing Sources	0	0	120	120
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>8,270</u>	<u>8,270</u>
<i>Net Change in Fund Balance</i>	(677,966)	(677,966)	(440,148)	237,818
<i>Fund Balance Beginning of Year</i>	622,744	622,744	622,744	0
Prior Year Encumbrances Appropriated	55,609	55,609	55,609	0
<i>Fund Balance End of Year</i>	<u>\$387</u>	<u>\$387</u>	<u>\$238,205</u>	<u>\$237,818</u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

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

The reporting entity is comprised of the primary government.

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, cemetery maintenance, police protection and fire and rescue services.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Township. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, the Road and Bridge Fund, the Police District Fund, the Fire District Fund, the Road District Fund and the Capital Project Fund. The General 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. The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing township roads and bridges. The Police District Fund receives property tax money voted by the citizens to provide police protection to the Township residents. The Fire District receives property tax money voted by the citizen to provide fire protection and rescue service to the township residents. The Road District receives property tax money voted on by the citizens for constructing, maintaining and repairing Township roads.

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

C. Basis of Accounting

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

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 of control has been established at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated 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 that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

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

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

During 2006, the Township invested in a premier money market fund, and STAR Ohio. The Township's money market fund investment is recorded at the amount reported by Huntington National Bank on December 31, 2006.

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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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 \$213,065, which includes \$92,738 assigned from other Township funds. Interest receipts credited to the Motor Vehicle License Tax Fund during 2006 was \$950, interest receipts credited to the Gasoline Tax during 2006 was \$3,897 and interest receipts credited during 2006 to Capital Project Fund was \$4,032.

F. 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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Road Maintenance, Police Protection, Fire and Rescue Protection and Zoning. None are restricted by enabling legislation.

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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance Reserves

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

M. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, the road and bridge fund, the police district fund, the fire district fund and the road district fund are 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 is that outstanding year end encumbrances are treated as disbursements rather than as a reservation of fund balance. The encumbrances outstanding at year-end amounted to \$151,792 for the general fund, \$3,018 for the road and bridge fund, \$21,324 for the police district fund, \$6,023 for the fire district fund and \$10,264 for the road district fund.

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

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 are 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,
3. 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;
4. 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;
5. Bonds and other obligations of the State of Ohio or Ohio local governments;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. 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;
8. The State Treasurer's investment pool (STAR Ohio).

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

Note 4 - Deposits and Investments (continued)

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

At year end, the Township had no undeposited cash on hand

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, \$1,981,702 of the Township's bank balance of \$2,081,702 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, non compliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

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

Investments

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

	<u>Carrying Value</u>	<u>Maturity</u>
STAR Ohio	\$2,839,619	Less than One Year
Total Portfolio	<u>\$2,839,619</u>	

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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

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

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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 3, with the remainder due September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$21.09 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	\$ 259,286,020
Public Utility Property	\$ 5,736,870
Tangible Personal Property	510,120
Total Assessed Value	<u>\$ 265,533,010</u>

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

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

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2006 the Township contracted with Arrowhead Public Facility.

Type of Coverage	Amount of Coverage	
General Liability	\$1,000,000	Per Occurrence
Automobile Liability	\$1,000,000	Per Occurrence
Law Enforcement Liability	\$1,000,000	Per Occurrence
Crime	\$1,000,000	Per Occurrence
Property	\$1,000,000	Per Occurrence
Public Officials Liability	\$1,000,000	Per Occurrence
Employment Practices Liability	\$1,000,000	Per Occurrence
Umbrella	\$1,000,000	Per Occurrence

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs. The System administers and pays all claims.

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 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed

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

Note 8 – Defined Benefit Pension Plan (continued)

10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for 2006 was 13.70 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.93 percent of covered payroll. 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 \$145,852, \$136,001, and \$125,518 respectively. The full amount has been contributed for 2006, 2005 and 2004. There were no contributions made to the member-directed plan for 2006 by the Township or the plan members.

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 13.70 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

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, 2006, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$60,599. 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.

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

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

Note 10 – Debt

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

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
General Obligation Bonds						
2002 Issue (\$3,952,225) -	1.5-					
Fire Station Construction	4.85%	\$2,219,999	\$0	\$110,000	\$2,109,999	\$110,000
Fire Truck Acquisition						
Bonds - 2004 Issue (300,000)	4.17%	\$270,000	\$0	\$30,000	\$240,000	\$30,000
Total		<u>\$2,489,999</u>	<u>\$0</u>	<u>\$140,000</u>	<u>\$2,349,999</u>	<u>\$140,000</u>

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

Year	G.O. Bonds	
	Principal	Interest
2007	\$140,000	\$96,983
2008	145,000	92,432
2009	150,000	87,386
2010	150,000	81,935
2011	155,000	76,904
2012-2016	599,117	481,570
2017 – 2021	820,000	167,412
2022	190,000	9,215
Totals	<u>\$2,349,999</u>	<u>\$1,093,837</u>

The debt will be paid from the debt service fund.

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$26,548,877 and an unvoted debt margin of \$ 14,601,662.

Note 11 – Interfund Transfers

During 2006 the following transfers were made:

Transfer from General Fund to Capital Projects	<u>\$1,600,000</u>
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Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. This transfer was made to establish a Capital Project Fund for the construction of a Police Station.

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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*

Russell Township
Geauga County
8501 Kinsman Road
Novelty, Ohio 44072

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 Russell Township, Geauga County, (the Township) as of and for the year ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 25, 2008, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township, because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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.

We noted certain matters that we reported to the Township's management in a separate letter dated September 25, 2008.

Compliance and Other Matters

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

We 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

September 25, 2008



Mary Taylor, CPA
Auditor of State

RUSSELL TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2008**