



**Auditor of State
Betty Montgomery**

**THOMPSON TOWNSHIP
GEAUGA COUNTY**

TABLE OF CONTENTS

Title	Page
Independent Accountants' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements – Fiscal Year 2005:	
Statement of Net Assets – Modified Cash Basis	9
Statement of Activities – Modified Cash Basis	10
Fund Financial Statements – Fiscal Year 2005:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	12
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road & Bridge Fund	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Police District Fund	18
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Special Levy Fire Fund	19
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Thompson Township
Geauga County
P.O. Box 204
Thompson, Ohio 44086

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 Thompson Township, Geauga County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Thompson Township, Geauga County, Ohio, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road & Bridge, Police District, and Special Levy Fire funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

July 10, 2006

THOMPSON TOWNSHIP
GEAUGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Thompson Township, Geauga County, Ohio (the Township) financial performance provides an overall review of the township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased \$5,846, or 1.7 percent, an insignificant change from the prior year. The funds most affected by the decrease in cash and cash equivalents was the General Fund and Special Levy Fire Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected most funds.

The Township's general receipts are primarily property and other local taxes and intergovernmental revenues. These receipts represent respectively 51.5 and 39.2 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

THOMPSON TOWNSHIP
GEAUGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or draws from the Township's general receipts.

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

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

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

Reporting the Township's Most Significant Funds

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

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

THOMPSON TOWNSHIP
GEAUGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

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

(Table 1)
Net Assets

	<u>Governmental Activities 2005</u>
Assets	
Cash and Cash Equivalents	<u>\$324,247</u>
Total Assets	<u><u>\$324,247</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$351
Debt Service	3,692
Other Purposes	252,473
Unrestricted	<u>67,731</u>
Total Net Assets	<u><u>\$324,247</u></u>

As mentioned previously, net assets of governmental activities decreased \$5,846 or 1.7 percent during 2005. The decrease in cash balance is due mainly to decreases in the General and Special Levy Fire funds offset by increases in the Gasoline Tax and Road and Bridge funds.

THOMPSON TOWNSHIP
 GEAUGA COUNTY
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

Table 2 reflects the changes in net assets in 2005. Since the township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Changes in Net Assets

	Governmental Activities <u>2005</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$15,802
Operating Grants and Special Assessments	53,489
Capital Grants and Special Assessments	88,650
Total Program Receipts	<u>157,941</u>
General Receipts:	
Property and Other Local Taxes	402,584
Grants and Entitlements Not Restricted to Specific Programs	201,560
Interest	5,417
Miscellaneous	20,061
Total General Receipts	<u>629,622</u>
Total Receipts	<u>787,563</u>
Disbursements:	
General Government	111,258
Public Safety	184,919
Public Works	219,856
Health	19,351
Conservation-Recreation	3,655
Capital Outlay	195,829
Principal Retirement	51,334
Interest and Fiscal Charges	7,207
Total Disbursements	<u>793,409</u>
Increase (Decrease) in Net Assets	(5,846)
Net Assets, January 1, 2005	<u>330,093</u>
Net Assets, December 31, 2005	<u><u>\$324,247</u></u>

Program receipts represent only 20.1 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 79.9 percent of the Township's total receipts, and of this amount, 63.9 percent are local taxes. State and federal grants and entitlements and interest make up the balance of the Township's general receipts (32 percent). Other receipts are insignificant and somewhat unpredictable revenue sources.

THOMPSON TOWNSHIP
 GEAUGA COUNTY
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 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 the fiscal officer, zoning department, police and fire departments, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Public Safety are the costs of police and fire protection; Health is the Cemetery; and Public Works is the cost of maintaining the roads and bridges.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works and Capital Outlay, which account for 27.7 and 24.7 percent of all governmental disbursements, respectively. Public Safety and General Government also represent significant costs, about 23.3 and 14.0 percent, respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net (Disbursements) Receipts and Changes in Net Assets column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$111,258	(\$111,258)
Public Safety	184,919	(79,861)
Public Works	219,856	(214,747)
Health	19,351	(8,051)
Conservation-Recreation	3,655	(3,655)
Capital Outlay	195,825	(195,829)
Payment of Principal	51,334	(14,860)
Interest and Fiscal Charges	7,207	(7,207)
Total Expenses	\$793,405	(\$635,468)

The dependence upon property tax and other general receipts is apparent as over 80 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$781,763 and disbursements of \$793,409. The greatest change within governmental funds occurred within the Special Levy Fire fund. The fund balance of the Special Levy Fire fund decreased \$22,569.

General Fund receipts were less than disbursements by \$20,132 indicating that though the General fund had a positive fund balance of \$67,731 as of December 31, 2005, it is in a deficit spending situation.

THOMPSON TOWNSHIP
GEAUGA COUNTY
Management's Discussion and Analysis
For the Year Ended December 31, 2005
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.

Final receipts were budgeted at \$133,497. Actual receipts were \$154,543, \$21,046 more than the final budgeted amount. Final disbursements were budgeted at \$217,700. Actual disbursements were \$174,675, \$43,025 less than the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

The Township maintains a listing of its capital assets. These records are not required to be presented in the financial statements.

Debt

At December 31, 2005, the Township's outstanding debt included \$99,975 in road improvement bonds and \$97,983 Ohio Public Works Commission notes. For further information regarding the township's debt, refer to Note 8 to the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Board of Trustees and Fiscal Officer reviewed our sources of revenue and determined that increases were unlikely. We then reviewed the disbursement history of the Township. We have reduced planned road maintenance projects that we would like to have done but that will have to be delayed due to our resources.

Our Fire Department has been awarded 2 FEMA Grants. The first grant, with a total award of \$177,300, is for the purchase of the new fire truck. The Township received \$88,650 of this grant in August 2005 and received the remainder of the grant in February 2006. The second grant, with a total award of \$93,100, is for the purchase of fire equipment. The Township received \$9,011 of this grant in November 2005. The remainder of the grant will be received in subsequent years.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Rachel Kuehn, Fiscal Officer, Thompson Township, P.O. Box 204, Thompson, Ohio 44086.

Thompson Township
Geauga County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$324,247</u>
<i>Total Assets</i>	<u><u>\$324,247</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$351
Debt Service	3,692
Other Purposes	252,473
Unrestricted	<u>67,731</u>
<i>Total Net Assets</i>	<u><u>\$324,247</u></u>

See accompanying notes to the basic financial statements

Thompson Township
Geauga County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Special Assessments	Capital Grants and Special Assessments	Governmental Activities
Governmental Activities					
General Government	\$111,258	\$0	\$0	\$0	(\$111,258)
Public Safety	184,919	397	16,011	88,650	(79,861)
Public Works	219,856	4,105	1,004	0	(214,747)
Health	19,351	11,300	0	0	(8,051)
Conservation-Recreation	3,655	0	0	0	(3,655)
Capital Outlay	195,829	0	0	0	(195,829)
Payment of Principal	51,334	0	36,474	0	(14,860)
Interest and Fiscal Charges	7,207	0	0	0	(7,207)
<i>Total Governmental Activities</i>	<u>\$793,409</u>	<u>\$15,802</u>	<u>\$53,489</u>	<u>\$88,650</u>	<u>(635,468)</u>
		General Receipts			
		Property Taxes Levied for:			
					60,599
					158,959
					83,274
					99,752
					201,560
					5,417
					<u>20,061</u>
					629,622
					(5,846)
					<u>330,093</u>
					<u>\$324,247</u>

See accompanying notes to the basic financial statements

Thompson Township
Geauga County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Police District</u>	<u>Special Levy Fire</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$67,731	\$33,849	\$60,283	\$13,891	\$119,281	\$29,212	\$324,247
<i>Total Assets</i>	<u>\$67,731</u>	<u>\$33,849</u>	<u>\$60,283</u>	<u>\$13,891</u>	<u>\$119,281</u>	<u>\$29,212</u>	<u>\$324,247</u>
Fund Balances							
Unreserved:							
Undesignated, Reported in:							
General Fund	\$67,731	\$0	\$0	\$0	\$0	\$0	\$67,731
Special Revenue Funds	0	33,849	60,283	13,891	119,281	25,169	252,473
Debt Service Fund	0	0	0	0	0	3,692	3,692
Capital Projects Funds	0	0	0	0	0	351	351
Permanent Fund	0	0	0	0	0	0	0
<i>Total Fund Balances</i>	<u>\$67,731</u>	<u>\$33,849</u>	<u>\$60,283</u>	<u>\$13,891</u>	<u>\$119,281</u>	<u>\$29,212</u>	<u>\$324,247</u>

See accompanying notes to the basic financial statements

Thompson Township
Geauga County
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2004

Total Governmental Fund Balances	<u>\$324,247</u>
<i>Net Assets of Governmental Activities</i>	<u>\$324,247</u>

See accompanying notes to the basic financial statements

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

	General	Gasoline Tax	Road & Bridge	Police District	Special Levy Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$60,599	\$0	\$158,959	\$83,274	\$99,752	\$0	\$402,584
Licenses, Permits and Fees	4,105	0	0	0	0	5,500	9,605
Fines and Forfeitures	397	0	0	0	0	0	397
Intergovernmental	75,115	73,230	20,407	10,668	117,052	9,749	306,221
Special Assessments	0	0	0	0	0	37,478	37,478
Interest	3,844	1,167	0	0	0	406	5,417
Other	10,483	0	5,349	301	1,251	2,677	20,061
<i>Total Receipts</i>	<u>154,543</u>	<u>74,397</u>	<u>184,715</u>	<u>94,243</u>	<u>218,055</u>	<u>55,810</u>	<u>781,763</u>
Disbursements							
Current:							
General Government	111,258	0	0	0	0	0	111,258
Public Safety	17,610	0	0	89,260	78,049	0	184,919
Public Works	4,551	62,065	141,861	0	0	11,379	219,856
Health	13,134	0	0	0	0	6,217	19,351
Conservation-Recreation	2,240	0	0	0	0	1,415	3,655
Capital Outlay	25,882	0	3,592	500	162,575	3,280	195,829
Debt Service:							
Principal Retirement	0	0	21,451	0	0	29,883	51,334
Interest and Fiscal Charges	0	0	0	0	0	7,207	7,207
<i>Total Disbursements</i>	<u>174,675</u>	<u>62,065</u>	<u>166,904</u>	<u>89,760</u>	<u>240,624</u>	<u>59,381</u>	<u>793,409</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,132)</u>	<u>12,332</u>	<u>17,811</u>	<u>4,483</u>	<u>(22,569)</u>	<u>(3,571)</u>	<u>(11,646)</u>
Other Financing Sources (Uses)							
Other Financing Sources	0	0	0	0	0	5,800	5,800
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,800</u>	<u>5,800</u>
<i>Net Change in Fund Balances</i>	<u>(20,132)</u>	<u>12,332</u>	<u>17,811</u>	<u>4,483</u>	<u>(22,569)</u>	<u>2,229</u>	<u>(5,846)</u>
<i>Fund Balances Beginning of Year</i>	<u>87,863</u>	<u>21,517</u>	<u>42,472</u>	<u>9,408</u>	<u>141,850</u>	<u>26,983</u>	<u>330,093</u>
<i>Fund Balances End of Year</i>	<u>\$67,731</u>	<u>\$33,849</u>	<u>\$60,283</u>	<u>\$13,891</u>	<u>\$119,281</u>	<u>\$29,212</u>	<u>\$324,247</u>

See accompanying notes to the basic financial statements

Thompson Township
Geauga County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds	<u>(\$5,846)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>(\$5,846)</u>

See accompanying notes to the basic financial statements

Thompson Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$57,600	\$57,600	\$60,599	\$2,999
Licenses, Permits and Fees	5,095	5,095	4,105	(990)
Fines and Forfeitures	1,500	1,500	397	(1,103)
Intergovernmental	62,652	62,652	75,115	12,463
Interest	1,500	1,500	3,844	2,344
Other	5,150	5,150	10,483	5,333
<i>Total receipts</i>	133,497	133,497	154,543	21,046
Disbursements				
Current:				
General Government	124,700	128,700	111,258	17,442
Public Safety	29,000	29,000	17,610	11,390
Public Works	5,200	5,200	4,551	649
Health	19,000	15,000	13,134	1,866
Conservation-Recreation	9,800	9,800	2,240	7,560
Capital Outlay	30,000	30,000	25,882	4,118
<i>Total Disbursements</i>	217,700	217,700	174,675	43,025
<i>Excess of Receipts Over (Under) Disbursements</i>	(84,203)	(84,203)	(20,132)	64,071
<i>Fund Balance Beginning of Year</i>	87,863	87,863	87,863	0
<i>Fund Balance End of Year</i>	\$3,660	\$3,660	\$67,731	\$64,071

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$53,400	\$53,400	\$73,230	\$19,830
Interest	200	200	1,167	967
<i>Total receipts</i>	<u>53,600</u>	<u>53,600</u>	<u>74,397</u>	<u>20,797</u>
Disbursements				
Current:				
Public Works	69,000	69,000	62,065	6,935
<i>Total Disbursements</i>	<u>69,000</u>	<u>69,000</u>	<u>62,065</u>	<u>6,935</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,400)</u>	<u>(15,400)</u>	<u>12,332</u>	<u>27,732</u>
<i>Fund Balance Beginning of Year</i>	<u>21,517</u>	<u>21,517</u>	<u>21,517</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,117</u></u>	<u><u>\$6,117</u></u>	<u><u>\$33,849</u></u>	<u><u>\$27,732</u></u>

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Receipts				
Property and Other Local Taxes	\$150,900	\$150,900	\$158,959	\$8,059
Intergovernmental	19,075	19,075	20,407	1,332
Other	500	500	5,349	4,849
<i>Total receipts</i>	<u>170,475</u>	<u>170,475</u>	<u>184,715</u>	<u>14,240</u>
Disbursements				
Current:				
Public Works	180,750	178,850	141,861	36,989
Capital Outlay	5,000	7,000	3,592	3,408
Principal Retirement	21,750	21,650	21,451	199
<i>Total Disbursements</i>	<u>207,500</u>	<u>207,500</u>	<u>166,904</u>	<u>40,596</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,025)</u>	<u>(37,025)</u>	<u>17,811</u>	<u>54,836</u>
<i>Fund Balance Beginning of Year</i>	<u>42,472</u>	<u>42,472</u>	<u>42,472</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,447</u>	<u>\$5,447</u>	<u>\$60,283</u>	<u>\$54,836</u>

See accompanying notes to the basic financial statements

Thompson 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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$78,600	\$78,600	\$83,274	\$4,674
Licenses, Permits and Fees	0	0	191	191
Intergovernmental	10,705	10,705	10,668	(37)
Other	100	100	110	10
<i>Total receipts</i>	89,405	89,405	94,243	4,838
Disbursements				
Current:				
Public Safety	96,000	96,000	89,260	6,740
Capital Outlay	500	500	500	0
<i>Total Disbursements</i>	96,500	96,500	89,760	6,740
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,095)	(7,095)	4,483	11,578
<i>Fund Balance Beginning of Year</i>	9,408	9,408	9,408	0
<i>Fund Balance End of Year</i>	\$2,313	\$2,313	\$13,891	\$11,578

See accompanying notes to the basic financial statements

Thompson Township
Geauga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Special Levy Fire Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$94,300	\$94,300	\$99,752	\$5,452
Intergovernmental	189,702	282,802	117,052	(165,750)
Other	750	750	1,251	501
<i>Total receipts</i>	284,752	377,852	218,055	(159,797)
Disbursements				
Current:				
Public Safety	120,000	130,000	78,049	51,951
Capital Outlay	300,000	383,100	162,575	220,525
<i>Total Disbursements</i>	420,000	513,100	240,624	272,476
<i>Excess of Receipts Over (Under) Disbursements</i>	(135,248)	(135,248)	(22,569)	112,679
<i>Fund Balance Beginning of Year</i>	141,850	141,850	141,850	0
<i>Fund Balance End of Year</i>	\$6,602	\$6,602	\$119,281	\$112,679

See accompanying notes to the basic financial statements

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Note 1 – Reporting Entity

Thompson Township, Geauga County, Ohio, is a body politic and corporate established in 1801 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township also has an elected Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services, and police protection services.

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

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

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Accounting

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

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

B. Fund Accounting

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

Governmental Funds

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

General Fund – This fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

Governmental Funds (Continued)

Police District Fund – This fund receives real estate tax, homestead and rollback, and personal property tax money for police services for the Township.

Special Levy Fire Fund – This fund receives real estate tax, homestead and rollback, and personal property tax money for fire and emergency medical services for the Township.

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

C. Basis of Presentation

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

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

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

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

D. Cash and Investments

The Township had no investments at December 31, 2005. Funds are held in a business checking account.

E. Inventory

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

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

H. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

I. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

Note 3 – Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the modified cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Thompson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 4 – Deposits and Investments

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

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

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

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

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

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

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

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

Note 4 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Township had a book balance of \$324,427. Of the Township's bank balance of \$351,321, \$251,321 was uninsured and uncollateralized. Although the securities were held by pledging institution's trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

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

Note 5 – Property Tax

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

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

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

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

Note 6 – Risk Management

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

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

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

Thompson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 6 – Risk Management (Continued)

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

Thompson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2005
(Continued)

Note 6 – Risk Management

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$36,624.

Note 7 – Retirement Systems

Employees belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2005. The Township has paid all contributions required through December 31, 2005.

Note 8 – Debt

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Note - 1998 & 2001	\$97,983	0%
Road Improvement Bonds - 1998	99,975	5.55%
Total	<u>\$197,958</u>	

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$52,993	\$5,549	\$58,542
2007	54,743	3,798	58,541
2008	51,592	1,950	53,542
2009	16,451	0	16,451
2010	16,451	0	16,451
2011	5,728	0	5,728
Total	<u>\$197,958</u>	<u>\$11,297</u>	<u>\$209,255</u>

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Auditor of State Betty Montgomery

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

Thompson Township
Geauga County
P.O. Box 204
Thompson, Ohio 44086

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 Thompson Township, Geauga County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 10, 2006, wherein we noted the Township adopted Government Accounting Standards Board No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated July 10, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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*.

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www.auditor.state.oh.us

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

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

Betty Montgomery
Auditor of State

July 10, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
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Facsimile 614-466-4490

THOMPSON 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
AUGUST 22, 2006**