



**MUNSON TOWNSHIP  
GEAUGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2001 & 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



MUNSON TOWNSHIP  
GEAUGA COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Munson Township  
Geauga County  
12210 Auburn Road  
Chardon, Ohio 44024

To the Board of Trustees:

We have audited the accompanying financial statements of Munson Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Munson Township, Geauga County, Ohio, as of December 31, 2001 and December 31, 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 18, 2002

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**MUNSON TOWNSHIP  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$202,594	\$1,257,589	\$115,919	\$1,576,102
Intergovernmental	723,555	217,432		940,987
Charges for Services		28,917		28,917
Licenses, Permits, and Fees		27,512		27,512
Earnings on Investments	58,907	1,404		60,311
Other Revenue	9,117	21,233		30,350
	<u>994,173</u>	<u>1,554,087</u>	<u>115,919</u>	<u>2,664,179</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	278,311	32,374		310,685
Public Safety	496	418,888		419,384
Public Works	708,343	797,235		1,505,578
Health	1,815	9,124		10,939
Conservation - Recreation	22,071			22,071
Debt Service:				
Redemption of Principal			100,000	100,000
Interest and Fiscal Charges			15,125	15,125
Capital Outlay	103,805	9,393		113,198
	<u>1,114,841</u>	<u>1,267,014</u>	<u>115,125</u>	<u>2,496,980</u>
<b>Total Cash Disbursements</b>				
Total Receipts Over/(Under) Disbursements	<u>(120,668)</u>	<u>287,073</u>	<u>794</u>	<u>167,199</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Other Proceeds from Sale of Public Debt				
Sale of Fixed Assets		9,315		9,315
Other Sources	14,923			14,923
	<u>14,923</u>	<u>9,315</u>	<u>0</u>	<u>24,238</u>
<b>Total Other Financing Receipts/(Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(105,745)	296,388	794	191,437
Fund Cash Balances, January 1, 2001	591,103	392,872	581	984,556
<b>Fund Cash Balances, December 31, 2001</b>	<u><b>\$485,358</b></u>	<u><b>\$689,260</b></u>	<u><b>\$1,375</b></u>	<u><b>\$1,175,993</b></u>
Reserve for Encumbrances, December 31, 2001	<u>\$31,486</u>	<u>\$32,037</u>	<u>\$0</u>	<u>\$63,523</u>

*The notes to the financial statements are an integral part of this statement.*

**MUNSON TOWNSHIP  
GEAUGA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Local Taxes	\$185,825	\$945,212	\$122,000		\$1,253,037
Intergovernmental	596,066	178,497		\$45,403	819,966
Charges for Services		25,226			25,226
Licenses, Permits, and Fees		23,386			23,386
Earnings on Investments	58,201	1,934			60,135
Other Revenue	1,992	18,916			20,908
Total Cash Receipts	842,084	1,193,171	122,000	45,403	2,202,658
<b>Cash Disbursements:</b>					
Current:					
General Government	224,534	38,738			263,272
Public Safety	998	376,173			377,171
Public Works	114,593	544,161			658,754
Health	37,760	5,980			43,740
Conservation - Recreation	23,477				23,477
Debt Service:					
Redemption of Principal			100,000		100,000
Interest and Fiscal Charges			21,419		21,419
Capital Outlay	32,800	176,777		45,403	254,980
Total Cash Disbursements	434,162	1,141,829	121,419	45,403	1,742,813
Total Receipts Over/(Under) Disbursements	407,922	51,342	581	0	459,845
<b>Other Financing Receipts/(Disbursements):</b>					
Other Proceeds from Sale of Public Debt					
Sale of Fixed Assets	150	9,500			9,650
Other Sources	4,846	146			4,992
Total Other Financing Receipts/(Disbursements)	4,996	9,646	0	0	14,642
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	412,918	60,988	581	0	474,487
Fund Cash Balances, January 1, 2000	178,185	331,884	0	0	510,069
<b>Fund Cash Balances, December 31, 2000</b>	<b>\$591,103</b>	<b>\$392,872</b>	<b>\$581</b>	<b>\$0</b>	<b>\$984,556</b>
Reserve for Encumbrances, December 31, 2000	\$94,569	\$84,512	\$0	\$0	\$179,081

*The notes to the financial statements are an integral part of this statement.*



**MUNSON TOWNSHIP  
GEAUGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Munson Township, Geauga County, Ohio, (the Township) is a body corporate and politic established 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 provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Munson Fire Department to provide fire and ambulance services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are included in fund cash balances. 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 disbursements, respectively.

The Township invests in an overnight Sweep Account and STAR Ohio (State Treasurer's Investment Pool). The Sweep Account is valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General 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.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds.

**MUNSON TOWNSHIP  
GEAUGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

*Road and Bridge Fund* - This fund receives property tax money to construct, maintain and repair Township roads and bridges.

*Fire Operating/Apparatus Fund* - This fund receives property tax money for maintaining and operating the Fire Department.

**3. Debt Service Funds**

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. This fund receives property tax money for the retirement of Real Estate Acquisition Bonds.

**4. Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project:

*Issue II Fund* - The Township received a grant from the State of Ohio to reconstruct Sherman Road.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees 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 individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**MUNSON TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2001 AND 2000  
 (Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**F. Property, Plant and Equipment**

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

**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 basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2001	2000
Demand deposits	(\$8,394)	(\$10,796)
Total deposits	(8,394)	(10,796)
Sweep Account	130,027	113,399
STAROhio	1,054,360	881,953
Total investments	1,184,387	995,352
Total deposits and investments	\$1,175,993	\$984,556

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Sweep Account is held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**MUNSON TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2001 AND 2000  
 (Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$993,758	\$1,009,096	\$15,338
Special Revenue	1,538,689	1,563,402	24,713
Debt Service	115,919	115,919	0
Total	\$2,648,366	\$2,688,417	\$40,051

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,490,292	\$1,146,327	\$343,965
Special Revenue	1,847,048	1,299,051	547,997
Debt Service	116,500	115,125	1,375
Total	\$3,453,840	\$2,560,503	\$893,337

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$833,534	\$847,080	\$13,546
Special Revenue	1,168,086	1,202,817	34,731
Debt Service	122,000	122,000	0
Capital Projects	45,403	45,403	0
Total	\$2,169,023	\$2,217,300	\$48,277

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,009,944	\$528,731	\$481,213
Special Revenue	1,486,734	1,226,341	260,393
Debt Service	122,000	121,419	581
Capital Projects	45,403	45,403	0
Total	\$2,664,081	\$1,921,894	\$742,187

**MUNSON TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2001 AND 2000  
 (Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding 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 payment, 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 with 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.

**5. DEBT**

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Real Estate Acquisition Bonds	\$200,000	5.5%
Total	\$200,000	

The Real Estate Acquisition Bonds were issued to finance the purchase of a building and land for park and recreational purposes. The bonds are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	General Obligation Bonds
2002	\$109,625
2003	104,125
Total	\$213,750

**MUNSON TOWNSHIP  
GEAUGA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's certified employees belong to the Public Employees Retirement System (PERS) of Ohio. These plans provide 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 2001 and 2000, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**7. RISK MANAGEMENT**

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

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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 government.

Financial Position

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

**MUNSON TOWNSHIP  
 GEAUGA COUNTY  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2001 AND 2000  
 (Continued)**

**7. RISK MANAGEMENT (Continued)**

Note below that this is the latest information available:

<u>Casualty Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$22,684,383	\$18,172,222
Liabilities	<u>8,924,977</u>	<u>5,947,013</u>
Retained earnings	<u>\$13,759,406</u>	<u>\$12,225,209</u>

<u>Property Coverage</u>	<u>2000</u>	<u>1999</u>
Assets	\$3,931,536	\$3,181,655
Liabilities	<u>272,583</u>	<u>311,970</u>
Retained earnings	<u>\$3,658,953</u>	<u>\$2,869,685</u>

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

Munson Township  
Geauga County  
12210 Auburn Road  
Chardon, Ohio 44024

To the Board of Trustees:

We have audited the accompanying financial statements of Munson Township, Geauga County, Ohio, (the Township), as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated April 18, 2002. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 18, 2002.

This report is intended solely for the information and use of management, the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

April 18, 2002

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**MUNSON TOWNSHIP**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 9, 2002**