



OHIO AUDITOR OF STATE
KEITH FABER



MARGARETTA TOWNSHIP
ERIE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Margaretta Township
Erie County
114 Main Street
P.O. Box 278
Castalia, Ohio 44824

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Margaretta Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Margaretta Township, Erie County, Ohio as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020

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Margaretta Township
Erie County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$120,478	\$1,309,350		\$1,429,828
Charges for Services		196,006		196,006
Licenses, Permits and Fees	52,953	32,779		85,732
Intergovernmental	68,161	230,890	\$55,045	354,096
Earnings on Investments	24,583	507		25,090
Miscellaneous	68,629	61,667		130,296
<i>Total Cash Receipts</i>	<u>334,804</u>	<u>1,831,199</u>	<u>55,045</u>	<u>2,221,048</u>
Cash Disbursements				
Current:				
General Government	323,620			323,620
Public Safety	2,117	1,082,306		1,084,423
Public Works	16,189	485,573		501,762
Health	1,150	60,214		61,364
Conservation-Recreation		25,211		25,211
Capital Outlay		89,967	176,762	266,729
<i>Total Cash Disbursements</i>	<u>343,076</u>	<u>1,743,271</u>	<u>176,762</u>	<u>2,263,109</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,272)</u>	<u>87,928</u>	<u>(121,717)</u>	<u>(42,061)</u>
Other Financing Receipts (Disbursements)				
Transfers In			121,717	121,717
Transfers Out	(121,717)			(121,717)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(121,717)</u>		<u>\$121,717</u>	
<i>Net Change in Fund Cash Balances</i>	(129,989)	87,928		(42,061)
<i>Fund Cash Balances, January 1</i>	<u>588,988</u>	<u>626,520</u>		<u>1,215,508</u>
Fund Cash Balances, December 31				
Restricted		714,448		714,448
Assigned	458,999			458,999
<i>Fund Cash Balances, December 31</i>	<u>\$458,999</u>	<u>\$714,448</u>		<u>\$1,173,447</u>

See accompanying notes to the financial statements

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Margaretta Township, Erie County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, parks and recreation services, fire protection, and emergency medical services.

Public Entity Risk Pool and Jointly Governed Organization

The Township participates in a public entity risk pool and a jointly governed organization. Notes 7 and 11 to the financial statements, respectively, provide additional information for these entities.

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

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, which is organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Fire District Fund The Fire District Fund receives property tax money to pay for fire services for Township residents.

Capital Project Funds These funds account for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Resurface Phase II Fund The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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. Appropriations lapse at year-end.

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

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

A summary of 2019 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, the Fiscal Officer did not record receipts in the appropriate funds.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$232,690	\$334,804	\$102,114
Special Revenue	1,758,428	1,831,199	72,771
Capital Projects	200,000	176,762	(23,238)
Total	<u>\$2,191,118</u>	<u>\$2,342,765</u>	<u>\$151,647</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$961,354	\$464,793	\$496,561
Special Revenue	2,473,148	1,743,271	729,877
Capital Projects	200,000	176,762	23,238
Total	<u>\$3,634,502</u>	<u>\$2,384,826</u>	<u>\$1,249,676</u>

Note 5 – Deposits and Investments

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

	2019
Demand deposits	\$144,438
STAR Plus	1,023,661
Total deposits	1,168,099
STAR Ohio	5,348
Total deposits and investments	\$1,173,447

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Note 7 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Township's full-time certified fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2019.

Social Security

Other Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Leases

The Township leases a vehicle. The Township disbursed \$28,054 to pay lease costs for the year ended December 31, 2019.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	Lease
2020	<u>28,054</u>

Note 11 – Jointly Governed Organization

Sand Hill Cemetery Association (the Association) provides grounds maintenance, opening and closing of graves, and the sale of lots. Margaretta, Groton, Oxford, and Perkins townships each appoint a member of the Board of Trustees of the Association. The Township contributed \$1,250 to the Association for the year ended December 31, 2019.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The investments of the pension and other employee benefit plan in which the Township participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Miscellaneous Receipts

General Fund miscellaneous receipts consist primarily of tower lease receipts and refunds.

Note 14 – Contingent Liabilities

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

Margaretta Township
Erie County
Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$119,359	\$1,062,990	\$1,182,349
Charges for Services		174,730	174,730
Licenses, Permits and Fees	59,852	40,012	99,864
Intergovernmental	91,455	258,474	349,929
Earnings on Investments	23,741	167	23,908
Miscellaneous	12,828	43,258	56,086
<i>Total Cash Receipts</i>	<u>307,235</u>	<u>1,579,631</u>	<u>1,886,866</u>
Cash Disbursements			
Current:			
General Government	304,846		304,846
Public Safety		1,030,575	1,030,575
Public Works	30,000	503,125	533,125
Health		61,586	61,586
Conservation-Recreation		21,609	21,609
Capital Outlay	23,154	81,627	104,781
<i>Total Cash Disbursements</i>	<u>358,000</u>	<u>1,698,522</u>	<u>2,056,522</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(50,765)</u>	<u>(118,891)</u>	<u>(169,656)</u>
Other Financing Receipts (Disbursements)			
Transfers In		200,000	200,000
Transfers Out	(200,000)		(200,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(200,000)</u>	<u>200,000</u>	
<i>Net Change in Fund Cash Balances</i>	(250,765)	81,109	(169,656)
<i>Fund Cash Balances, January 1</i>	<u>839,753</u>	<u>545,411</u>	<u>1,385,164</u>
Fund Cash Balances, December 31			
Restricted		626,520	626,520
Assigned	588,988		588,988
<i>Fund Cash Balances, December 31</i>	<u>\$588,988</u>	<u>\$626,520</u>	<u>\$1,215,508</u>

See accompanying notes to the financial statements

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Margaretta Township, Erie County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, parks and recreation services, fire protection, and emergency medical services.

Public Entity Risk Pool and Jointly Governed Organization

The Township participates in a public entity risk pool and a jointly governed organization. Notes 7 and 11 to the financial statements, respectively, provide additional information for these entities.

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

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, which is organized on a fund type basis.

Fund Accounting

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Road and Bridge Fund The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires each fund be budgeted annually.

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. Appropriations lapse at year-end.

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township's investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the General Fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Compliance

Contrary to Ohio law, the Fiscal Officer did not record receipts in the appropriate funds.

Also contrary to Ohio law, appropriations exceeded certified resources in the Road and Bridge Fund at December 31, 2018.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$244,341	\$307,235	\$62,894
Special Revenue	1,583,508	1,779,631	196,123
Capital Projects	200,000		(200,000)
Total	\$2,027,849	\$2,086,866	\$59,017

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,084,094	\$558,000	\$526,094
Special Revenue	2,328,917	1,698,522	630,395
Capital Projects	200,000		200,000
Total	\$3,613,011	\$2,256,522	\$1,356,489

Note 5 – Deposits and Investments

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

	2018
Demand deposits	\$10,322
STAR Plus	1,199,960
Total deposits	1,210,282
STAR Ohio	5,226
Total deposits and investments	\$1,215,508

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

Margaretta Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

Note 7 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

Margaretta Township
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Notes to the Financial Statements
For the Year Ended December 31, 2018

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Township's full-time certified fire fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018.

Social Security

Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Debt

Leases

The Township leases a vehicle. The Township disbursed \$28,054 to pay lease costs for the year ended December 31, 2018.

Margaretta Township
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Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending December 31:	Lease
2019	\$28,054
2020	28,054
Total	<u>\$56,108</u>

Note 11 – Jointly Governed Organization

Sand Hill Cemetery Association (the Association) provides grounds maintenance, opening and closing of graves, and the sale of lots. Margaretta, Groton, Oxford, and Perkins townships each appoint a member of the Board of Trustees of the Association. The Township contributed \$875 to the Association for the year ended December 31, 2018.

Note 12 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The investments of the pension and other employee benefit plan in which the Township participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



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

Margaretta Township
Erie County
114 Main Street
P.O. Box 278
Castalia, Ohio 44824

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Margaretta Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated September 23, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-003 to be material weaknesses.

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, opining 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 and 2019-002.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

September 23, 2020

**MARGARETTA TOWNSHIP
ERIE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Fiscal Officer posted real estate and manufactured homes homestead and rollback receipts all into the General Fund during 2018 and 2019. In 2019 the Fiscal Officer posted Commercial Activity Tax all into the General Fund.

Major Fund	2018 Amount Adjusted	2019 Amount Adjusted
General Fund	(\$55,994)	(\$51,696)
Road and Bridge Fund	15,277	(24,471)
Cemetery Fund	1,145	2,058
Fire District Fund	38,289	71,125
Recreation Board Fund	1,283	2,984

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2019-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2018 the Township's appropriations exceeded the amount certified as available by the budget commission in the Road and Bridge fund by \$200,000.

**FINDING NUMBER 2019-002
(CONTINUED)**

At December 31, 2019 the Township's appropriations exceeded the amount certified as available by the budget commission in the Road and Bridge, Cemetery, Fire District, and Emergency Medical Services funds by \$56,607, \$45,323, \$173,948, and \$30,947, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the County should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

FINDING NUMBER 2019-003

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

We identified the following errors that required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2019:

- General Fund budgetary expenditures were decreased in the amount of \$417,024 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts;
- General Fund budgeted receipts were decreased in the amount of \$83,682 in order to bring the amounts reported in the Budgetary Activity note in the financial statements in line with authorized budget amounts;
- General Fund unassigned fund balance in the amount of \$458,999 was reclassified to assigned in accordance with the provisions of Government Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179):
- Special Revenue Fund Type budgetary expenditures were decreased in the amount of \$643,513 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts;
- Special Revenue Fund Type budgeted receipts were decreased in the amount of \$370,285 in order to bring the amounts reported in the Budgetary Activity note in the financial statements in line with authorized budget amounts; and
- Capital Projects Fund Type budgetary expenditures were decreased in the amount of \$22,238 in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts.

**FINDING NUMBER 2019-003
(CONTINUED)**

We identified the following errors that required adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- Special Revenue Fund Type budgeted receipts were decreased in the amount of \$400,000 in order to bring the amounts reported in the Budgetary Activity note in the financial statements in line with authorized budget amounts;
- Special Revenue Fund Type appropriation authority was decreased in the amount of \$200,000 in order to bring the amounts reported in the Budgetary Activity note in the financial statements in line with authorized budget amounts;
- Capital Projects Fund Type budgeted receipts were increased in the amount of \$200,000 in order to bring the amounts reported in the Budgetary Activity note in the financial statements in line with authorized budget amounts; and
- Capital Projects Fund Type appropriation authority was increased in the amount of \$200,000 in order to bring the amounts reported in the Budgetary Activity note in the financial statements in line with authorized budget amounts.

These errors were not identified and corrected prior to the Township preparing its financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:
<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

MARGARETTA TOWNSHIP

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2019-003 in this report.	The Township declined the opportunity to respond and therefore did not provide reasoning for the continuation of this comment.

OHIO AUDITOR OF STATE KEITH FABER



MARGARETTA TOWNSHIP

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/13/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov