

MUNSON TOWNSHIP

GEAUGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018





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Columbus, Ohio 43215
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Board of Trustees
Munson Township
12210 Auburn Road
Chardon, Ohio 44024

We have reviewed the *Independent Auditor's Report* of Munson Township, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Munson Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 21, 2020

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**MUNSON TOWNSHIP
 GEAUGA COUNTY
 For the years ended December 31, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

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 Munson Township, Geauga County, (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 of 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 express opinions 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 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 permitted 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, or its 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 the related notes of Munson Township, Geauga County as of December 31, 2019 and 2018, and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Charles E. Harris & Associates, Inc.
February 25, 2020

Munson Township
Geauga 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

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 419,377 | \$ 1,949,354 | \$ 2,368,731 |
| Charges for Services | - | 236,271 | 236,271 |
| Licenses, Permits and Fees | 75,624 | 6,120 | 81,744 |
| Intergovernmental | 158,927 | 403,076 | 562,003 |
| Earnings on Investments | 15,633 | 2,223 | 17,856 |
| Miscellaneous | 59,034 | 26,078 | 85,112 |
| Total Cash Receipts | 728,595 | 2,623,122 | 3,351,717 |
| Cash Disbursements | | | |
| Current Disbursements: | | | |
| General Government | 486,077 | - | 486,077 |
| Public Safety | 53,047 | 1,509,468 | 1,562,515 |
| Public Works | 14,015 | 948,737 | 962,752 |
| Health | 20,562 | 7,200 | 27,762 |
| Conservation-Recreation | 56,111 | - | 56,111 |
| Capital Outlay | 114,181 | 117,385 | 231,566 |
| Debt Service: | | | |
| Principal Retirement | - | 45,334 | 45,334 |
| Interest and Fiscal Charges | - | 6,809 | 6,809 |
| Total Cash Disbursements | 743,993 | 2,634,933 | 3,378,926 |
| <i>Excess Receipts Over (Under) Disbursements</i> | (15,398) | (11,811) | (27,209) |
| Other Financing Receipts (Disbursements) | | | |
| Sale of Fixed Assets | 3,105 | 7,894 | 10,999 |
| Total Other Financing Receipts (Disbursements) | 3,105 | 7,894 | 10,999 |
| <i>Net Change in Fund Cash Balance</i> | (12,293) | (3,917) | (16,210) |
| <i>Fund Cash Balances, January 1</i> | 230,349 | 535,559 | 765,908 |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 531,642 | 531,642 |
| Assigned | 7,850 | - | 7,850 |
| Unassigned | 210,206 | - | 210,206 |
| Fund Cash Balances, December 31 | \$ 218,056 | \$ 531,642 | \$ 749,698 |

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

Munson Township
Geauga County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2019

| | Fiduciary Fund Type |
|---|---------------------|
| | Custodial |
| Cash Receipts | |
| Earnings on Investments | \$ 57 |
| Total Cash Receipts | 57 |
| Cash Disbursements | |
| Current Disbursements: | |
| Other | 138 |
| <i>Total Cash Disbursements</i> | 138 |
| <i>Operating Income (Loss)</i> | (81) |
| <i>Non-Operating Receipts (Disbursements)</i> | |
| Miscellaneous Receipts | 5,424 |
| Other Financing Uses | (5,400) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | 24 |
| <i>Net Change in Fund Cash Balances</i> | (57) |
| <i>Fund Cash Balances, January 1</i> | 2,965 |
| <i>Fund Cash Balances, December 31</i> | \$ 2,908 |

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

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

Munson Township, Geauga County, Ohio (the Township) is a body corporate and politic established in 1816 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected three-member Board of Trustees directs the Township. The Township 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 EMS services. Police protection is provided by the Geauga County Sheriff's Department. To supplement the services provided, Munson Township contracts with the Sheriff's Department for additional patrol.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), and the Ohio Association of Public Treasurers Workers' Compensation Group Rating Program, both public entity risk pools. Note 6 to the financial statements provides 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, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the fiduciary fund type which are 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 or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund The road and bridge fund accounts for and reports the receipt of property taxes and intergovernmental monies for the purpose of constructing, maintaining and repairing Township roads and bridges.

Fire Operating/Apparatus Fund The fire operating/apparatus fund accounts for and reports the receipt of property tax money and intergovernmental monies for the purpose of providing fire protection to the Township residents.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Fund The fiduciary fund is a custodial fund. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's custodial fund accounts for donations for college scholarships.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 disbursements 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 Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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 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 carried over, and need not be reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

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.

During 2019, the Township invested in STAR OHIO. 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.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 The 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 the Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the general fund.

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.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – 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 | \$ 713,494 | \$ 731,700 | \$ 18,206 |
| Special Revenue | 2,591,244 | 2,631,016 | 39,772 |

| 2019 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|----------------------------|----------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 830,299 | \$ 751,843 | \$ 78,456 |
| Special Revenue | 2,851,412 | 2,672,728 | 178,684 |

Note 4 – Deposits and Investments

The Township maintains a deposit 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 | \$ 265,608 |
| STAR Ohio Plus | 161,436 |
| Total deposits | 427,044 |
| STAR Ohio | 325,562 |
| Total investments | 325,562 |
| Total deposits and investments | \$ 752,606 |

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – 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 6 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA). 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 | \$33,097,416 |
| Actuarial liabilities | \$7,874,610 |

Workers’ Compensation

The Township participates in the Ohio Association of Public Treasurers (OAPT) Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating townships pay a service fee to the GRP to cover costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Township by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating townships is calculated as one experience and a common premium rate is applied to all

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Risk Management (continued)

townships in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Participation in the GRP is limited to townships that can meet the GRP's selection criteria. CompManagement provides administrative, cost control, and rate and underwriting services to the GRP.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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 healthcare and survivor and disability benefits.

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

Note 8 – Postemployment Benefits

OPERS offers 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% during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------|-------------------|----------------------|
| Fire Truck Lease | \$ 95,353 | 3.457% |
| Bucket Truck Lease | 50,567 | 3.760% |
| Ambulance Lease | 200,164 | 3.900% |
| Total | <u>\$ 346,084</u> | |

Leases

In 2015, the Township issued a \$309,987 equipment lease agreement for the purchase of a new fire truck to be paid over a three-year period. In 2016, \$204,039 was refinanced, with the balance to be repaid over a six-year period with a final maturity in 2022 and an interest rate of 3.457%. As part of this agreement the bank added \$482 of principal to the Township's balance. The Township intends to repay this lease from the EMS fund.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (continued)

In 2016, the Township issued a \$95,839 equipment lease to upgrade a new ladder truck to a bucket truck, with payment to begin in 2017. The loan will be paid over a six-year period with final maturity in 2022 and an interest rate of 3.76%. The Township intends to repay this lease from the EMS fund.

In 2019, the Township issued a \$200,164 equipment lease agreement for the purchase of an ambulance with payment to begin in 2020. The loan will be paid over a seven-year period with a final maturity in 2026 and an interest rate of 3.90%. The Township intends to repay this lease from the EMS fund.

Amortization

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

| Year | Fire Truck Lease | Bucket Truck Lease | Ambulance |
|-----------|-------------------|--------------------|-------------------|
| 2020 | \$ 34,006 | \$ 18,137 | \$ 33,224 |
| 2021 | 34,006 | 18,137 | 33,224 |
| 2022 | 34,006 | 18,137 | 33,224 |
| 2023 | - | - | 33,224 |
| 2024 | - | - | 33,224 |
| 2025-2026 | - | - | 66,448 |
| Total | <u>\$ 102,019</u> | <u>\$ 54,412</u> | <u>\$ 232,568</u> |

Note 10 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township's financial condition.

Munson Township
Geauga 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

| | Governmental Fund Types | | Totals (Memorandum Only) |
|---|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts | | | |
| Property and Other Local Taxes | \$ 421,384 | \$ 1,957,163 | \$ 2,378,547 |
| Charges for Services | - | 228,788 | 228,788 |
| Licenses, Permits and Fees | 73,581 | 8,433 | 82,014 |
| Fines and Forfeitures | 225 | - | 225 |
| Intergovernmental | 136,538 | 362,526 | 499,064 |
| Earnings on Investments | 19,674 | 1,715 | 21,389 |
| Miscellaneous | 60,537 | 29,884 | 90,421 |
| Total Cash Receipts | 711,939 | 2,588,509 | 3,300,448 |
| Cash Disbursements | | | |
| Current Disbursements: | | | |
| General Government | 422,945 | - | 422,945 |
| Public Safety | 43,421 | 1,499,338 | 1,542,759 |
| Public Works | 8,602 | 896,260 | 904,862 |
| Health | 24,843 | 19,259 | 44,102 |
| Conservation-Recreation | 47,719 | - | 47,719 |
| Capital Outlay | 74,304 | 10,236 | 84,540 |
| Debt Service: | | | |
| Principal Retirement | - | 43,777 | 43,777 |
| Interest and Fiscal Charges | - | 8,367 | 8,367 |
| Total Cash Disbursements | 621,834 | 2,477,237 | 3,099,071 |
| <i>Excess Receipts Over (Under) Disbursements</i> | 90,105 | 111,272 | 201,377 |
| Other Financing Receipts (Disbursements) | | | |
| Sale of Fixed Assets | - | 2,100 | 2,100 |
| Advances-In | 50,000 | 50,000 | 100,000 |
| Advances-Out | (50,000) | (50,000) | (100,000) |
| Total Other Financing Receipts (Disbursements) | - | 2,100 | 2,100 |
| <i>Net Change in Fund Cash Balance</i> | 90,105 | 113,372 | 203,477 |
| <i>Fund Cash Balances, January 1</i> | 140,244 | 422,187 | 562,431 |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 535,559 | 535,559 |
| Assigned | 27,346 | - | 27,346 |
| Unassigned | 203,003 | - | 203,003 |
| Fund Cash Balances, December 31 | \$ 230,349 | \$ 535,559 | \$ 765,908 |

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

Munson Township
Geauga County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018

| | Fiduciary Fund Type Custodial |
|---|----------------------------------|
| Cash Receipts | |
| Earnings on Investments | \$ 69 |
| Total Cash Receipts | 69 |
| Cash Disbursements | |
| Current Disbursements: | |
| Other | 426 |
| <i>Total Cash Disbursements</i> | 426 |
| <i>Operating Income (Loss)</i> | (357) |
| <i>Non-Operating Receipts (Disbursements)</i> | |
| Miscellaneous Receipts | 5,876 |
| Other Financing Uses | (6,000) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (124) |
| <i>Net Change in Fund Cash Balances</i> | (481) |
| <i>Fund Cash Balances, January 1</i> | 3,446 |
| <i>Fund Cash Balances, December 31</i> | \$ 2,965 |

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

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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Public Entity Risk Pool

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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, and a statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for the fiduciary fund type which are 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 or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund The road and bridge fund accounts for and reports the receipt of property taxes and intergovernmental monies for the purpose of constructing, maintaining and repairing Township roads and bridges.

Fire Operating/Apparatus Fund The fire operating/apparatus fund accounts for and reports the receipt of property tax money, intergovernmental monies and charges for services to pay for the purpose of providing fire protection to the Township residents.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Fiduciary Fund The fiduciary fund is a custodial fund. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Township's custodial fund accounts for donations for college scholarships.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 disbursements 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 Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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 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 carried over, and need not be reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

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.

During 2018, the Township invested in STAR OHIO. 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.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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 The 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 the Trustees or a Township official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – 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 | \$ 698,190 | \$ 711,939 | \$ 13,749 |
| Special Revenue | 2,572,450 | 2,590,609 | 18,159 |

| 2018 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|----------------------------|----------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 749,720 | \$ 649,180 | \$ 100,540 |
| Special Revenue | 2,841,004 | 2,497,186 | 343,818 |

Note 4 – Deposits and Investments

The Township maintains a deposit 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 | \$ 295,091 |
| STAR Ohio Plus | 157,751 |
| Total deposits | 452,842 |
| STAR Ohio | 316,031 |
| Total investments | 316,031 |
| Total deposits and investments | \$ 768,873 |

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – 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 6 - Risk Management

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

Risk Pool Membership

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 coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (continued)

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, 2017 (latest information available).

| | 2017 |
|--------------|--------------|
| Assets | \$40,010,732 |
| Liabilities | 8,675,465 |
| Net Position | \$31,335,267 |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016-member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Township’s share of these unpaid claims collectible in future years is approximately \$14,000.

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

| |
|-------------------------------------|
| 2018 Contributions to OTARMA |
| \$31,980 |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Workers’ Compensation

The Township participates in the Ohio Association of Public Treasurers (OAPT) Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. Each year, the participating townships pay a service fee to the GRP to cover costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the Township by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating townships is calculated as one experience and a common premium rate is applied to all townships in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 - Risk Management (continued)

Participation in the GRP is limited to townships that can meet the GRP's selection criteria. Comp Management provides administrative, cost control, and rate and underwriting services to the GRP.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Township 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 healthcare and survivor and disability benefits.

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

Note 8 – Postemployment Benefits

OPERS offers 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% during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

| | Principal | Interest Rate |
|--------------------|------------|---------------|
| Fire Truck Lease | \$ 125,037 | 3.457% |
| Bucket Truck Lease | 66,217 | 3.760% |
| Total | \$ 191,254 | |

Leases

In 2015, the Township issued a \$309,987 equipment lease agreement for the purchase of a new fire truck to be paid over a three-year period. In 2016, \$204,039 was refinanced, with the balance to be repaid over a six-year period with a final maturity in 2022 and an interest rate of 3.457%. As part of this agreement the bank added \$482 of principal to the Township's balance.

In 2016, the Township issued a \$95,839 equipment lease to upgrade a new ladder truck to a bucket truck, with payment to begin in 2017. The loan will be paid over a six-year period with final maturity in 2022 and an interest rate of 3.76%.

Munson Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt (continued)

Amortization

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

| <u>Year</u> | <u>Fire Truck Lease</u> | <u>Bucket Truck Lease</u> |
|-------------|-------------------------|---------------------------|
| 2019 | \$ 34,006 | \$ 18,137 |
| 2020 | 34,006 | 18,137 |
| 2021 | 34,006 | 18,137 |
| 2022 | 34,006 | 18,137 |
| Total | <u>\$ 136,026</u> | <u>\$ 72,549</u> |

Note 10 – Contingent Liabilities

The Township may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Township's financial condition.

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Charles E. Harris & Associates, Inc
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

To the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the cash balances, receipts, and disbursements by fund type of Munson Township, Geauga County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Township's financial statements and have issued our report thereon dated February 25, 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. *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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
February 25, 2020

OHIO AUDITOR OF STATE KEITH FABER



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 5, 2020**