



Dave Yost • Auditor of State



MUNSON TOWNSHIP  
GEAUGA COUNTY  
DECEMBER 31, 2015

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# Dave Yost • Auditor of State

## 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 governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, Ohio (the Township), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Special Fire Levy Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 30, 2016

**Munson Township, Geauga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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This discussion and analysis of Munson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2015, within the limitations of the Township's cash basis accounting. Readers should also view the basic financial statements and notes to enhance their understanding of the Township's financial performance. The intent of this discussion and analysis is to look at the Township's financial performance as a whole.

### **Financial Highlights**

Highlights for 2015 are as follows:

- Net position of governmental activities decreased \$605,095, or 54.18 percent. The fund most affected by the decrease in cash and cash equivalents was the general fund, which realized decreases in intergovernmental and interest revenues.
- The Township's general receipts are primarily property tax and grants and entitlements not restricted to specific programs. These receipts represent 56.66 percent of the total cash received for governmental activities during the year. Property receipts for 2015 changed very little compared to 2014 as there was minimal new development in the Township.
- Other receipts saw a significant increase compared to 2014 as a result of a number of insurance settlements the Township received. The Township received three insurance settlements, \$2,865 for a rock salt settlement from the Ohio Attorney General, \$26,786 from OTARMA (PERSO) for ice damage, and \$699,750 for the 2003 ladder truck, which was demolished in an accident.
- The Township added a concrete entrance to the fire station bays, concrete sidewalks at the rear of the administration building, heat tape and insulation to the fire station and old section of the Town Hall to control ice damage, and replaced the electric panel in the fire station.
- Asphalt resurfacing projects during 2015 included Beechnut Lane, Waterfowl Lane, and Heath Road. A guardrail was installed over the bridge on Fowlers Mill Road.
- The Township received a Scrap Tire Reimbursement Grant through the Geauga Trumbull Waste Management District, a MORE Grant from OTARMA for risk reduction equipment for the Road Department, a Step Outside Grant from ODNR for the park fishing derby, and was the lead agency for an OPWC Issue 2 Grant for the asphalt resurfacing of Heath Road, a joint project with Chester Township.
- The Township awarded ten \$500 scholarships and eight \$250 scholarships with proceeds from the 2014 community picnic and a private donor.
- On November 3, 2015, residents renewed a 1.75 mill 5-year fire operating and apparatus levy. Collections on this levy begin in January 2016.

### **Using the Basic Financial Statements**

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

**Munson Township, Geauga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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### **Report Components**

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

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

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

### **Basis of Accounting**

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

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

### **Reporting the Township as a Whole**

The statement of net position and the statement of activities reflect how the Township did financially during 2015, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental program of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

**Munson Township, Geauga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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In the statement of net position and the statement of activities, the Township has only governmental activities.

**Governmental Activities** All of the Township's basic services are reported here, including fire, roads and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

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

**Governmental Funds** Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the general fund and the road and bridge and special fire levy special revenue funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs.

**The Township as a Whole**

Table 1 provides a summary of the Township's net position for 2015 compared to 2014 on a cash basis:

Table 1  
**Net Position**

	Governmental Activities		
	2015	2014	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$511,688	\$1,116,783	(\$605,095)
<b>Net Position</b>			
Restricted for Other Purposes	\$219,042	\$217,668	\$1,374
Unrestricted	292,646	899,115	(606,469)
Total Net Position	<u>\$511,688</u>	<u>\$1,116,783</u>	<u>(\$605,095)</u>

**Munson Township, Geauga County**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2015**  
**Unaudited**

Net position decreased from 2014 due to the loss of inheritance tax revenues. During 2015, the Township used the balance of accumulated inheritance tax revenues to fund the purchase of fire equipment and for capital improvements. Management continues to diligently plan expenses, staying carefully within the Township's anticipated revenues for operating expenses.

Table 2 reflects the changes in net position on a cash basis in 2015 and 2014 for governmental activities.

Table 2  
**Changes in Net Position**

	Governmental Activities		Change
	2015	2014	
<b>Receipts:</b>			
Program Receipts:			
Charges for Services and Assessments	\$247,819	\$247,183	\$636
Operating Grants and Contributions	352,167	337,868	14,299
Capital Grants and Contributions	184,637	10,000	174,637
Total Program Receipts	<u>784,623</u>	<u>595,051</u>	<u>189,572</u>
General Receipts:			
Property Taxes	1,929,622	1,869,089	60,533
Grants and Entitlements Not Restricted to Specific Programs	145,889	141,693	4,196
Unrestricted Contributions	0	200	(200)
Sale of Capital Assets	0	4,465	(4,465)
Cable Franchise Fees	46,252	45,882	370
Interest	17,353	23,392	(6,039)
Miscellaneous	739,591	24,388	715,203
Total General Revenues	<u>2,878,707</u>	<u>2,109,109</u>	<u>769,598</u>
Total Receipts	<u>3,663,330</u>	<u>2,704,160</u>	<u>959,170</u>
<b>Disbursements:</b>			
General Government	399,492	384,957	(14,535)
Public Safety	1,538,254	1,480,607	(57,647)
Public Works	1,004,192	902,108	(102,084)
Health	18,541	18,398	(143)
Conservation and Recreation	72,034	49,939	(22,095)
Capital Outlay	1,126,964	171,630	(955,334)
Debt Service:			
Principal	102,198	0	(102,198)
Interest	6,750	0	(6,750)
Total Program Expenses	<u>4,268,425</u>	<u>3,007,639</u>	<u>(1,260,786)</u>
Change in Net Position	<u>(605,095)</u>	<u>(303,479)</u>	<u>(301,616)</u>
Net Position Beginning of Year	<u>1,116,783</u>	<u>1,420,262</u>	<u>(303,479)</u>
Net Position End of Year	<u><u>\$511,688</u></u>	<u><u>\$1,116,783</u></u>	<u><u>(\$605,095)</u></u>

Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and charges for services such as zoning permits, the sale of cemetery lots, burial fees, and charges for emergency transport. Capital grants and contributions increased due to an increase in the amount of revenues received in 2015 for a capital grant for roadwork. During 2015, the Township received grants for various purposes, which included removal and treatment of scrap tires, the purchase of equipment to reduce risk for road workers, an outdoor recreation event, and for road improvements.

**Munson Township, Geauga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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General receipts represent the largest portion of the Township's total receipts, and of this amount, and of this amount the majority is local taxes. State and federal grants and entitlements make up the other large percentage of the Township's general receipts. Interest receipts decreased due to the decrease in the township's inheritance tax reserves. Other receipts increased significantly due to the receipt of an insurance settlement for a fire department ladder truck that was demolished in an accident.

Disbursements for public safety and public works represent the largest portion of disbursements incurred by the Township. Monies spent from these categories represent payment for fire protection along with the road employees for upkeep and maintenance on the Township's roads. The increase in public works is due to the completion of a major road project.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the elected officials and office staff, and services provided by the county auditor, treasurer, legal and engineering departments, as well as internal services such as payroll and purchasing. Capital outlay disbursements increased, due to the purchase of a new ladder truck for the fire department as well as miscellaneous capital improvements made throughout the administration building and fire station.

**Governmental Activities**

If you look at the statement of activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works, which account for the largest percentage of all governmental disbursements. General Government also represents a significant cost representing monies to run the administrative section of the Township. The middle set of columns of the statement entitled "Program Cash Receipts" identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The "Net (Disbursements) Receipts" column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**Munson Township, Geauga County**  
**Management's Discussion and Analysis**  
**For the Year Ended December 31, 2015**  
**Unaudited**

Table 3  
**Total and Net Cost of Program Services**

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
General Government	\$399,492	(\$389,699)	\$384,927	(\$376,540)
Public Safety	1,538,254	(1,202,142)	1,480,607	(1,147,815)
Public Works	1,004,192	(591,565)	902,108	(684,753)
Health	18,541	7,050	18,398	8,089
Conservation - Recreation	72,034	(71,534)	49,939	(39,939)
Capital Outlay	1,126,964	(1,126,964)	171,630	(171,630)
Debt Service:				
Principal	102,198	(102,198)	0	0
Interest	6,750	(6,750)	0	0
<b>Total</b>	<b>\$4,268,425</b>	<b>(\$3,483,802)</b>	<b>\$3,007,609</b>	<b>(\$2,412,588)</b>

**The Township's Funds**

Information about the Township's governmental funds begins on page 14. All governmental funds had receipts of \$3,663,330 and disbursements of \$4,268,425. The Township's governmental funds reflect a decrease in fund balances due to reduced intergovernmental receipts and the use of accumulated inheritance revenues for capital purchases.

**Budgeting Highlights**

The Township's budget is prepared according to the laws of the State of Ohio and is based upon accounting for certain transactions on a cash basis for receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The legal level of control is at the fund, department, object and line item level for all funds.

The most significant budgeted fund is the general fund. For the general fund, original and final budgeted receipts were \$572,452 and \$612,547, respectively, and actual receipt collections were \$644,202. The Township conservatively budgeted for intergovernmental receipts during the year. Original and final appropriations were \$1,464,174 and \$1,504,269, respectively, and actual disbursements were \$1,258,287 which were under the final appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township currently does not keep track of its capital assets and infrastructure.

**Debt**

During 2015, the Township issued an equipment loan to purchase a new fire truck. The fire truck was purchased at a cost of \$415,634, with \$309,987 of this amount financed over three years at an interest rate of 3.23 percent with the final maturity in 2017. The balance at December 31, 2015, was \$207,789, with \$102,245 due within one year.

**Munson Township, Geauga County**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2015  
Unaudited

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**Current Financial Issues**

The Fire Department ladder truck was demolished and insurance funds were awarded for its replacement. The Trustees approved \$95,464 to upgrade the ladder to a bucket truck with the payment to come due upon delivery in 2016.

In 2016, the Township will continue to look for solutions to ice buildup issues on the fire station roof. Addressing two major road projects, Fowlers Mill Road and Sherman Road, is also a priority for the Township.

Dealing with the loss of inheritance tax revenues has proved challenging to the Township, as it has impacted the Township's budget for capital projects and for programs supported by the general fund. The Township will need to look at additional sources of funding for Fire and EMS services.

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Therefore, the continued involvement and support of the Township's residents is vital to the continued positive growth of the Township.

**Contacting the Township's Finance Department**

This financial report is designed to provide our residents, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Judy Toth, Fiscal Officer, by mail: Munson Township, 12210 Auburn Road, Chardon, Ohio 44024, email [munson@munsontwp.com](mailto:munson@munsontwp.com), or phone 440-286-9255.

# **Basic Financial Statements**

**Munson Township, Geauga County**  
Statement of Net Position - Cash Basis  
December 31, 2015

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$511,688</u>
<b>Net Position</b>	
Restricted for Other Purposes	\$219,042
Unrestricted	<u>292,646</u>
<i>Total Net Position</i>	<u>\$511,688</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Activities - Cash Basis  
For the Year Ended December 31, 2015

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
General Government	\$399,492	\$8,662	\$1,131	\$0	(\$389,699)
Public Safety	1,538,254	213,546	122,566	0	(1,202,142)
Public Works	1,004,192	20	227,970	184,637	(591,565)
Health	18,541	25,591	0	0	7,050
Conservation-Recreation	72,034	0	500	0	(71,534)
Capital Outlay	1,126,964	0	0	0	(1,126,964)
Debt Service:					
Principal	102,198	0	0	0	(102,198)
Interest	6,750	0	0	0	(6,750)
<i>Total Governmental Activities</i>	<u>\$4,268,425</u>	<u>\$247,819</u>	<u>\$352,167</u>	<u>\$184,637</u>	<u>(3,483,802)</u>
		<b>General Receipts</b>			
		Property Taxes Levied for:			
		General Purposes			393,405
		Road and Bridge			721,424
		Fire			814,793
		Grants and Entitlements not Restricted to Specific Programs			145,889
		Cable Franchise Fees			46,252
		Interest			17,353
		Miscellaneous			739,591
		<i>Total General Receipts</i>			<u>2,878,707</u>
		Change in Net Position			(605,095)
		<i>Net Position Beginning of Year</i>			<u>1,116,783</u>
		<i>Net Position End of Year</i>			<u>\$511,688</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
December 31, 2015

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$292,646</u>	<u>\$119,038</u>	<u>\$40,667</u>	<u>\$59,337</u>	<u>\$511,688</u>
<b>Fund Balances</b>					
Restricted	\$0	\$119,038	\$40,667	\$59,337	\$219,042
Assigned	<u>292,646</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>292,646</u>
<i>Total Fund Balances</i>	<u>\$292,646</u>	<u>\$119,038</u>	<u>\$40,667</u>	<u>\$59,337</u>	<u>\$511,688</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Year Ended December 31, 2015

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$393,405	\$721,424	\$814,793	\$0	\$1,929,622
Charges for Services	0	0	0	221,076	221,076
Licenses, Permits and Fees	18,051	20	0	0	18,071
Fines and Forfeitures	10	0	0	0	10
Cable Franchise Fees	46,252	0	0	0	46,252
Intergovernmental	146,389	105,337	122,566	307,270	681,562
Gifts and Donations	100	0	0	0	100
Rentals	9,693	0	0	0	9,693
Interest	16,331	0	0	1,022	17,353
Miscellaneous	32,022	7,819	699,750	0	739,591
<i>Total Receipts</i>	<u>662,253</u>	<u>834,600</u>	<u>1,637,109</u>	<u>529,368</u>	<u>3,663,330</u>
<b>Disbursements</b>					
Current:					
General Government	399,492	0	0	0	399,492
Public Safety	414,022	0	925,499	198,733	1,538,254
Public Works	8,878	852,660	0	142,654	1,004,192
Health	6,917	0	0	11,624	18,541
Conservation-Recreation	72,034	0	0	0	72,034
Capital Outlay	258,431	4,826	678,170	185,537	1,126,964
Debt Service:					
Principal	102,198	0	0	0	102,198
Interest	6,750	0	0	0	6,750
<i>Total Disbursements</i>	<u>1,268,722</u>	<u>857,486</u>	<u>1,603,669</u>	<u>538,548</u>	<u>4,268,425</u>
<i>Net Change in Fund Balances</i>	(606,469)	(22,886)	33,440	(9,180)	(605,095)
<i>Fund Balances Beginning of Year</i>	<u>899,115</u>	<u>141,924</u>	<u>7,227</u>	<u>68,517</u>	<u>1,116,783</u>
<i>Fund Balances End of Year</i>	<u>\$292,646</u>	<u>\$119,038</u>	<u>\$40,667</u>	<u>\$59,337</u>	<u>\$511,688</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
General Fund  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$391,376	\$391,376	\$393,405	\$2,029
Fines and Forfeitures	0	0	10	10
Cable Franchise Fees	42,000	42,000	46,252	4,252
Intergovernmental	110,126	123,435	146,389	22,954
Gifts and Donations	0	0	100	100
Rentals	0	0	9,693	9,693
Interest	15,000	15,000	16,331	1,331
Miscellaneous	13,950	40,736	32,022	(8,714)
<i>Total Receipts</i>	<u>572,452</u>	<u>612,547</u>	<u>644,202</u>	<u>31,655</u>
<b>Disbursements</b>				
Current:				
General Government	388,869	441,788	388,758	53,030
Public Safety	357,904	448,929	414,300	34,629
Public Works	244,853	90,716	8,878	81,838
Health	18,566	24,631	6,938	17,693
Conservation-Recreation	76,050	82,670	72,034	10,636
Capital Outlay	268,984	306,587	258,431	48,156
Debt Service:				
Principal	102,198	102,198	102,198	0
Interest	6,750	6,750	6,750	0
<i>Total Disbursements</i>	<u>1,464,174</u>	<u>1,504,269</u>	<u>1,258,287</u>	<u>245,982</u>
<i>Net Change in Fund Balance</i>	(891,722)	(891,722)	(614,085)	277,637
<i>Fund Balance Beginning of Year</i>	876,512	876,512	876,512	0
Prior Year Encumbrances Appropriated	<u>15,210</u>	<u>15,210</u>	<u>15,210</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$277,637</u>	<u>\$277,637</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Road and Bridge Fund  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$714,613	\$714,613	\$721,424	\$6,811
Licenses, Permits and Fees	0	0	20	20
Intergovernmental	95,606	95,606	105,337	9,731
Miscellaneous	600	600	7,819	7,219
<i>Total Receipts</i>	<u>810,819</u>	<u>810,819</u>	<u>834,600</u>	<u>23,781</u>
<b>Disbursements</b>				
Current:				
Public Works	885,904	913,154	854,292	58,862
Capital Outlay	66,839	39,589	4,826	34,763
<i>Total Disbursements</i>	<u>952,743</u>	<u>952,743</u>	<u>859,118</u>	<u>93,625</u>
<i>Net Change in Fund Balance</i>	(141,924)	(141,924)	(24,518)	117,406
<i>Fund Balance Beginning of Year</i>	140,328	140,328	140,328	0
Prior Year Encumbrances Appropriated	<u>1,596</u>	<u>1,596</u>	<u>1,596</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$117,406</u>	<u>\$117,406</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual - Budget Basis  
Special Fire Levy Fund  
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property Taxes	\$810,088	\$810,088	\$814,793	\$4,705
Intergovernmental	108,379	108,379	122,566	14,187
Miscellaneous	0	699,750	699,750	0
<i>Total Receipts</i>	<u>918,467</u>	<u>1,618,217</u>	<u>1,637,109</u>	<u>18,892</u>
<b>Disbursements</b>				
Current:				
Public Safety	925,694	925,694	925,499	195
Capital Outlay	0	699,750	678,170	21,580
<i>Total Disbursements</i>	<u>925,694</u>	<u>1,625,444</u>	<u>1,603,669</u>	<u>21,775</u>
<i>Net Change in Fund Balance</i>	(7,227)	(7,227)	33,440	40,667
<i>Fund Balance Beginning of Year</i>	<u>7,227</u>	<u>7,227</u>	<u>7,227</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$40,667</u>	<u>\$40,667</u>

See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Statement of Fiduciary Assets and Liabilities - Cash Basis  
Agency Fund  
December 31, 2015

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**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,938</u></u>
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**Liabilities**

Held on Behalf of Scholarships	<u><u>\$3,938</u></u>
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See accompanying notes to the basic financial statements

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 1 – Reporting Entity**

Munson Township, Geauga County, Ohio (the Township), is a body politic and corporate established in 1816 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

**Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, parks and cemeteries. The Township contracts with the Munson Fire Department for fire protection. Police protection is provided by the Geauga County Sheriff's Department.

**Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the Township in that the Township approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burden on, the primary government. The reporting entity of the Township does not include any component units.

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

**Note 2 – Summary of Significant Accounting Policies**

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

**Basis of Presentation**

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

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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### **Government-Wide Financial Statements**

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

The statement of net position presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

### **Fund Financial Statements**

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

### **Fund Accounting**

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

### **Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the Township's major governmental funds.

**General Fund** – This fund is used to account for and report all financial resources, except those required to be 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.

**Road and Bridge Fund** – This fund is used to account for and report the receipt of real estate and homestead and rollback restricted for the maintenance and repair of township roads and bridges.

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Special Fire Levy Fund** – This fund is used to account for and report the receipt of real estate and homestead and rollback restricted for the costs of operating the fire department.

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

### **Fiduciary Funds**

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for donations for college scholarships.

### **Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

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

### **Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, object, and line item level for all funds. Amendments to the appropriations resolution require the approval of the Township Board of Trustees.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

### **Cash and Investments**

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2015, the Township invested in governmental national mortgage association bonds and in Star Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2015.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2015 was \$16,331, which includes \$6,406 assigned from other Township funds.

### **Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

### **Capital Assets**

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

### **Accumulated Leave**

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

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Net Position**

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for road and bridge and fire operating and apparatus. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Balance**

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

**Nonspendable** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted** Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Township Trustees. 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. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Township Trustees assigned fund balance to cover a gap between estimated revenue and appropriations in the 2016 appropriated budget. Township Trustees assigned fund balance for zoning.

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance – budget and actual – budgetary basis presented for the general fund and any major special revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are that:

1. Budgetary receipts and disbursements of the zoning fund are reclassified to the general fund for cash reporting.
2. Encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement on a fund type basis for the general fund and major special revenue funds.

Net Change in Fund Balance			
	General	Road and Bridge	Special Fire Levy
Cash Basis	(\$606,469)	(\$22,886)	\$33,440
Perspective Difference:			
Zoning	(3,252)	0	0
Adjustment for Encumbrances	(4,364)	(1,632)	0
Budget Basis	(\$614,085)	(\$24,518)	\$33,440

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds.

**Munson Township, Geauga County**  
**Notes to the Basic Financial Statements**  
**For the Year Ended December 31, 2015**

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total
<b>Restricted for</b>					
Road and Bridge Maintenance	\$0	\$119,038	\$0	\$28,840	\$147,878
Fire Department	0	0	40,667	0	40,667
Emergency Medical Services	0	0	0	27,877	27,877
Cemetery	0	0	0	2,620	2,620
<i>Total Restricted</i>	<u>0</u>	<u>119,038</u>	<u>40,667</u>	<u>59,337</u>	<u>219,042</u>
<b>Assigned to</b>					
Purchases on Order:					
Contractual Services	4,364	0	0	0	4,364
Zoning	10,645	0	0	0	10,645
Year 2016 Appropriations	277,637	0	0	0	277,637
<i>Total Assigned</i>	<u>292,646</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>292,646</u>
<i>Total Fund Balances</i>	<u><u>\$292,646</u></u>	<u><u>\$119,038</u></u>	<u><u>\$40,667</u></u>	<u><u>\$59,337</u></u>	<u><u>\$511,688</u></u>

**Note 5 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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

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

### **Investments**

The Township's investment policy is limited to complying with State statute, which investment objectives include safety, liquidity and return on investments; authorized financial institutions and broker/dealers and authorized investments.

Investments are obligations of the United States Government or obligations explicitly guaranteed by the United States Government and are not considered to have credit risk.

Interest rate risk is limited by the Township's investment policy which requires that operating funds be invested in short-term investments maturing within five years from the date of purchase and that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

As of December 31, 2015, the Township had \$129,949 in Governmental National Mortgage Association Bonds.

Credit risk is addressed by the Township's investment policy which requires that all investments be authorized by the Ohio Revised Code. The Governmental National Mortgage Association Bonds carry an AAA rating by Standard and Poor's.

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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Concentration of credit risk is defined by the Governmental Accounting Standards Board as five percent or more in securities of a single issuer. The Township places no limit on the amount it may invest in a single issuer.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax receipts received during 2015 for real and public utility property taxes represent collections of 2014 taxes.

2015 real property taxes are levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016 operations.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates can be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2015, was 12.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Property:	
Residential/Agricultural	\$204,661,620
Other	15,938,280
Personal Property:	
Public Utility	<u>5,795,620</u>
Total Assessed Value	<u><u>\$226,395,520</u></u>

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

**Note 7 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Property and Liability**

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

**Casualty Coverage**

For occurrences on or subsequent to January 1, 2006, OTARMA retains casualty risks up to \$350,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$350,000 and provides up to \$2,650,000 per claim and \$10,000,000 in the aggregate per year (the latest information available).

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage from \$3,000,000 to \$13,000,000 from General Reinsurance Corporation. Munson Township has liability coverage in the amount of \$7,000,000.

**Property Coverage**

Travelers Indemnity Company reinsures specific losses exceeding \$250,000 and provides up to \$600 million per occurrence subject to an annual aggregate loss payment. Travelers provides aggregate stop loss coverage based upon the combined OTARMA members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit.

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

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

**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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Position	<u>\$28,894,793</u>	<u>\$27,057,831</u>

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$16,451.

Based on discussion with OTARMA, the expected rates OTARMA charge 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 in the table that follows. 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.

The Township's contributions to OTARMA for the past three years are as follows:

<u>Year</u>	<u>Contribution</u>
2015	\$31,039
2014	30,389
2013	29,165

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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 withdrawal.

### **Workers' Compensation**

The Township participates in the Ohio Township Association 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund."

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to townships that can meet the GRP's selection criteria. The Frank Gates Service Company provides administrative, cost control and actuarial services to the GRP.

**Munson Township, Geauga County**  
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For the Year Ended December 31, 2015

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**Note 8 – Long-term Obligations**

A schedule of changes in the Townships long-term obligations during 2015 follows:

	Outstanding 12/31/2014	Additions	Reductions	Outstanding 12/31/2015	Amount Due In One Year
<b>Governmental Activities</b>					
Fire Truck Loan	\$0	\$309,987	\$102,198	\$207,789	\$102,245

During 2015, the Township issued a \$309,987 equipment loan for the purchase of a new fire truck. The loan will be paid over a three year period with a final maturity in 2017 and an interest rate of 3.23 percent. The loan will be paid from the general fund.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2015, are as follows:

<i>Governmental Activities</i>		
Fire Truck Loan		
Year	Principal	Interest
2016	\$102,245	\$6,703
2017	105,544	3,405
Total	\$207,789	\$10,108

**Note 9 – Defined Benefit Pension Plan**

Plan Description - Township employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan. While members (e.g. auditor employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

For retirement calculation purposes, members are divided into three groups. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan.

**Munson Township, Geauga County**  
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Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire tens years after January 7, 2013	Group C Members not in other Groups and members hired on or after 7-Jan-13
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 months of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earning over a members career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

Once a benefit recipient retiring under the traditional plan has received benefits for 12 months, an annual 3 percent cost-of-living adjustment is provided on the member's base benefit.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For 2015, members in state and local classifications contributed 10 percent of covered payroll.

For 2015, the employer contribution rate was 14 percent. The portion of the employer's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 2 percent for 2015. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2015, 2014, and 2013 were \$67,553, \$67,461 and \$67,892, respectively. The full amount has been contributed for all years. There were no contributions to the Member-Directed Plan for 2015 made by the Township or by plan members.

**Note 10 - Postemployment Benefits**

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

**Munson Township, Geauga County**  
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For the Year Ended December 31, 2015

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In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, state and local employers contributed 14 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in both the traditional and combined plans was 2 percent for 2015 as recommended by the OPERS actuary.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$11,259, \$11,244 and \$5,222, respectively. The full amount has been contributed for all years.

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors 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.

**Munson Township, Geauga County**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2015

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**Note 12 - Encumbrances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General	\$4,364
Road and Bridge	1,632
Other Governmental Funds	<u>1,255</u>
Total	<u><u>\$7,251</u></u>

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# Dave Yost • Auditor of State

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

Munson Township  
Geauga County  
12210 Auburn Road  
Chardon, Ohio 44024

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 governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, (the Township) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 30, 2016, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

### ***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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*

***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 communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 30, 2016



# Dave Yost • Auditor of State

**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  
SEPTEMBER 13, 2016**