



Certified Public Accountants, A.C.

**CHARDON TOWNSHIP
GEAUGA COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
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104 South Sugar St.
St. Clairsville, OH 43950
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Cambridge, OH 43725
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Dave Yost • Auditor of State

Board of Trustees
Chardon Township
9949 Mentor Road
Chardon, Ohio 44024-0829

We have reviewed the *Independent Auditor's Report* of Chardon Township, Geauga County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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. Chardon Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 4, 2018

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CHARDON TOWNSHIP
GEAUGA COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 19, 2018

Chardon Township
Geauga County
9949 Mentor Road
Chardon, OH 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 **Chardon Township**, Geauga County, (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or 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 relates notes of Chardon Township, Geauga County as of December 31, 2017 and 2016, 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 June 19, 2018, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**CHARDON 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, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 132,369	\$ 902,857	\$ -	\$ 1,035,226
Charges for Services	-	47,202	-	47,202
Licenses, Permits and Fees	72,323	4,173	-	76,496
Intergovernmental	94,993	281,807	-	376,800
Earnings on Investments	994	71	-	1,065
Miscellaneous	1,522	5,581	-	7,103
<i>Total Cash Receipts</i>	<u>302,201</u>	<u>1,241,691</u>	<u>-</u>	<u>1,543,892</u>
Cash Disbursements				
Current:				
General Government	212,614	457,850	-	670,464
Public Safety	-	38,445	-	38,445
Public Works	68,222	527,791	-	596,013
Health	10,715	3,925	-	14,640
Conservation-Recreation	1,073	-	-	1,073
Capital Outlay	19,092	3,575	-	22,667
Debt Service:				
Principal Retirement	-	62,060	-	62,060
Interest and Fiscal Charges	-	1,026	-	1,026
<i>Total Cash Disbursements</i>	<u>311,716</u>	<u>1,094,672</u>	<u>-</u>	<u>1,406,388</u>
<i>Net Change in Fund Cash Balances</i>	<u>(9,515)</u>	<u>147,019</u>	<u>-</u>	<u>137,504</u>
<i>Fund Cash Balances, January 1</i>	<u>137,041</u>	<u>351,712</u>	<u>2,707</u>	<u>491,460</u>
Fund Cash Balances, December 31				
Restricted	-	498,731	2,707	501,438
Assigned	127,526	-	-	127,526
<i>Fund Cash Balances, December 31</i>	<u>\$ 127,526</u>	<u>\$ 498,731</u>	<u>\$ 2,707</u>	<u>\$ 628,964</u>

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

CHARDON TOWNSHIP
GEAUGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	<u>\$ 1</u>
<i>Total Operating Cash Receipts</i>	<u>1</u>
<i>Operating Income (Loss)</i>	1
<i>Fund Cash Balance, January 1</i>	<u>1,003</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 1,004</u></u>

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

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Chardon Township, Geauga County, (the Township) as a body corporate and politic. 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 Chardon Fire Department, Inc. to provide fire services and to provide ambulance services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool (OTARMA) and is associated with a related organization. Note 6 to the financial statements provide additional information for this entity. 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 combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all fiduciary fund types 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 This fund receives property tax money constructing, maintaining, and repairing Township roads.

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Fire/Rescue Contracts Special Levy Fund The fund receives property tax money for emergency services including fire protection and emergency medical services.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Misc. Capital Project Wisner Road - The Township received a grant for capital improvements. The proceeds are restricted for capital improvement of Wisner Road.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. 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.

The Township's private purpose trust fund is for the benefit of certain individuals' gravesites.

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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio 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 expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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.

A summary of 2017 budgetary activity appears in Note 3.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

The Township Fiscal Officer invests all available funds of the Township in a Money Market Savings Account and Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 247,906	\$ 302,201	\$ 54,295
Special Revenue	1,186,887	1,241,691	54,804
Trust Fund	-	1	1
Total	\$ 1,434,793	\$ 1,543,893	\$ 109,100

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 384,947	\$ 322,224	\$ 62,723
Special Revenue	1,538,599	1,111,990	426,609
Capital Projects	2,707	-	2,707
Trust Fund	704	-	704
Total	\$ 1,926,957	\$ 1,434,214	\$ 492,743

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, 2017 was as follows:

	2017
Demand deposits	\$ 9,608
Other time deposits (savings and NOW accounts) Chase	594,542
Total deposits	604,150
STAR Ohio	25,818
Total investments	25,818
Total deposits and investments	\$ 629,968

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – Deposits and Investments (Continued)

Deposits

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

Investments

Investments in STAR Ohio and Money-Market Savings Account are not evidenced by securities that exist in physical or book-entry form.

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 homestead and rollback deductions. The financial statements include homestead and rollback 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

Chardon Township is in a group rating plan for Workers' Compensation coverage. The Township pays the State Workers' Compensation System a premium based on a rate sheet provided. This rate is calculated based on the group rating and can also include the accident history and administrative costs, if material.

Risk Pool Membership

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

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

The 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 or Management), 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.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

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.

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.

	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, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

2017 Contributions to OTARMA
\$11,941

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.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twelve 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, 2017.

Note 8 – Postemployment Benefits

OPERS offers a 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. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt is composed of a bank loan for a Case Backhoe.

Debt outstanding at December 31, 2017 was as follows:

Case Backhoe	\$ 5,124
Total	\$ 5,124

Debt on Case Backhoe is a loan with Middlefield Bank that was obtained on March 24, 2015 with a remaining balance of \$5,123.48, interest rate of 1.75%. Payments are made from the Road and Bridge Fund.

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

	Case	
Year Ending December 31:	Backhoe	
2018	\$ 5,149	
Total	\$ 5,149	

**CHARDON 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, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 133,464	\$ 924,504	\$ -	\$ 1,057,968
Charges for Services	-	43,126	-	43,126
Licenses, Permits and Fees	45,030	950	-	45,980
Intergovernmental	91,420	223,143	-	314,563
Earnings on Investments	504	10	-	514
Miscellaneous	1,613	17,822	-	19,435
<i>Total Cash Receipts</i>	<u>272,031</u>	<u>1,209,555</u>	<u>-</u>	<u>1,481,586</u>
Cash Disbursements				
Current:				
General Government	225,960	488,258	-	714,218
Public Safety	8,200	22,852	-	31,052
Public Works	69,106	474,687	-	543,793
Health	7,606	4,160	-	11,766
Conservation-Recreation	1,062	-	-	1,062
Capital Outlay	18,795	-	-	18,795
Debt Service:				
Principal Retirement	-	119,894	-	119,894
Interest and Fiscal Charges	-	654	-	654
<i>Total Cash Disbursements</i>	<u>330,729</u>	<u>1,110,505</u>	<u>-</u>	<u>1,441,234</u>
<i>Net Change in Fund Cash Balances</i>	<u>(58,698)</u>	<u>99,050</u>	<u>-</u>	<u>40,352</u>
<i>Fund Cash Balances, January 1</i>	<u>195,739</u>	<u>252,662</u>	<u>2,707</u>	<u>451,108</u>
Fund Cash Balances, December 31				
Restricted	-	351,712	2,707	354,419
Assigned	137,041	-	-	137,041
<i>Fund Cash Balances, December 31</i>	<u>\$ 137,041</u>	<u>\$ 351,712</u>	<u>\$ 2,707</u>	<u>\$ 491,460</u>

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

CHARDON TOWNSHIP
GEAUGA COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCE (REGULATORY CASH BASIS)
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	<u>\$ -</u>
<i>Total Operating Cash Receipts</i>	<u>-</u>
<i>Operating Income (Loss)</i>	-
<i>Fund Cash Balance, January 1</i>	<u>1,003</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 1,003</u></u>

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

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool (OTARMA) and is associated with a related organization. Note 6 to the financial statements provide additional information for this entity. 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

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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 This fund receives property tax money constructing, maintaining, and repairing Township roads.

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Fire/Rescue Contracts Special Levy Fund The fund receives property tax money for emergency services including fire protection and emergency medical services.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Misc. Capital Project Wisner Road - The Township received a grant for capital improvements. The proceeds are restricted for capital improvement of Wisner Road.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. 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.

The Township's private purpose trust fund is for the benefit of certain individuals' gravesites.

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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio 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 expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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.

A summary of 2016 budgetary activity appears in Note 3.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

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

The Township Fiscal Officer invests all available funds of the Township in a Money Market Savings Account and Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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 Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 250,481	\$ 272,031	\$ 21,550
Special Revenue	1,200,495	1,209,555	9,060
Total	\$ 1,450,976	\$ 1,481,586	\$ 30,610

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 446,220	\$ 330,896	\$ 115,324
Special Revenue	1,453,157	1,110,822	342,335
Capital Projects	2,707	-	2,707
Trust Fund	704	-	704
Total	\$ 1,902,788	\$ 1,441,718	\$ 461,070

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, 2016 was as follows:

Demand deposits	2016 \$ 3,168
Other time deposits (savings and NOW accounts) Chase	463,750
Total deposits	466,918
STAR Ohio	25,545
Total investments	25,545
Total deposits and investments	\$ 492,463

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – Deposits and Investments (Continued)

Deposits

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

Investments

Investments in STAR Ohio and Money-Market Savings Account are not evidenced by securities that exist in physical or book-entry form.

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 homestead and rollback deductions. The financial statements include homestead and rollback 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

Chardon Township is in a group rating plan for Workers' Compensation coverage. The Township pays the State Workers' Compensation System a premium based on a rate sheet provided. This rate is calculated based on the group rating and can also include the accident history and administrative costs, if material.

Risk Pool Membership

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

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

The 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 or Management), 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.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 - Risk Management (Continued)

Risk Pool Membership (Continued)

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, 2016, 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.

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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

<u>2016 Contributions to OTARMA</u>
\$10,666

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.

CHARDON TOWNSHIP
GEAUGA COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Twelve 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, 2016.

Note 8 – Postemployment Benefits

OPERS offers a 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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt is composed of a SIB Loan through the State of Ohio for the reconstructions of Rory Anna and Glenmora Drives; and a bank loan for a Case Backhoe.

Debt outstanding at December 31, 2016 was as follows:

SIB Loan	\$	41,791
Case Backhoe		25,393
Total		\$ 67,184

SIB Loan is a loan with the Ohio Department of Transportation that was obtained on September 15, 2014 for road improvement with a remaining balance of \$41,791.00, interest rate of 3%. Payments are made from the Road and Bridge Fund.

Debt on Case Backhoe is a loan with Middlefield Bank that was obtained on March 24, 2015 with a remaining balance of \$25,316.16, interest rate of 1.75%. Payments are made from the Road and Bridge Fund.

Amortization

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

Year Ending December 31:	SIB Loan	Case Backhoe
2017	\$ 42,529	\$ 25,680
2018	-	5,149
Total	\$ 42,529	\$ 25,680



Certified Public Accountants, A.C.

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

June 19, 2018

Chardon Township
Geauga County
9949 Mentor Road
Chardon, OH 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 cash balances, receipts, and disbursements by fund type of **Chardon Township**, Geauga County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018, 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

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider to be material weaknesses. We consider finding 2017-001 and 2017-002 to be material weaknesses.

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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*.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 19, 2018.

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

CHARDON TOWNSHIP
GEAUGA COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

The Township should have procedures and controls in place to help prevent and detect errors in financial reporting.

During 2017 and 2016, receipts and disbursements were not always posted or classified correctly and footnote disclosures were not always accurate. The following errors were noted:

- Debt payments were not properly classified as principal and interest;
- Cable franchise fees were recorded in the Township's revenue ledger; however, the Township has a resolution in place to pay the monies received to GTV that hosts the Township website and offers hosting to all local community news. The Township posted these expenses as a negative receipt, thus understating revenues and expenses in the amounts of \$62,123 in 2017 and \$36,435 in 2016;
- Modifications to the footnote disclosures were necessary as a result of errors in financial reporting and to ensure all appropriate footnote disclosures are presented.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should also ensure footnote disclosures are accurately reported and reference the most up to date footnote shell from the Auditor of State's website.

Management's Response – We did not receive a response from officials to this finding.

CHARDON TOWNSHIP
GEAUGA COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2017-002

Material Weakness

Fund Balances

The Township should have procedures and controls in place to ensure funds are properly classified. Funds should be classified in accordance with GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

During 2017 and 2016, the Caley Trust Fund was incorrectly classified as a permanent fund, which is a governmental fund type. GASB 54, paragraph 35 defines a permanent fund as:

“Permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.”

The Caley Trust Fund should be classified as separate fiduciary Private Purpose Trust Funds based on the following:

The last will and testament for the bequests specified the funds were for the benefit of an outside parties (individuals) rather than for the benefit of the Township therefore, the bequests should have been classified as private purpose trust funds. The fund consists of \$300 bequeathed from Emma Caley that states “to hold, manage, control and invest the same and out of the income thereof to care for and maintain the burial lot in North Chardon Cemetery where my parents are buried”. Also included is \$648 bequeathed from Ralph E. Gregory that states “the income from which shall be used to place flowers or geraniums on the Emma Caley lot in the cemetery on King Memorial Highway”. The remaining balance in the fund is interest earned.

Not classifying the fund accurately resulted in the financial statements requiring adjustments. The accompanying financial statements reflect all adjustments. The Township has posted the adjustment to their accounting system.

We recommend the Fiscal Officer refer to Auditor of State Technical Bulletin 2011-004 for assistance in classifying funds. The Fiscal Officer should contact UAN support for assistance in reclassifying the permanent fund to individual private purpose trust funds for each bequest.

Management’s Response – We did not receive a response from officials to this finding.



Dave Yost • Auditor of State

CHARDON 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, 18 2018**