



OHIO AUDITOR OF STATE  
**KEITH FABER**





CHATHAM TOWNSHIP  
MEDINA COUNTY

TABLE OF CONTENTS

| TITLE   | PAGE |
|---|------|
| Independent Auditor's Report .....  | 1    |
| Prepared by Management:   |      |
| Combined Statement of Receipts, Disbursements, and<br>Changes in Fund Balances (Regulatory Cash Basis)<br>All Governmental Fund Types<br>For the Year Ended December 31, 2018 ..... | 3    |
| Notes to the Financial Statements<br>December 31, 2018.....   | 4    |
| Combined Statement of Receipts, Disbursements, and<br>Changes in Fund Balances (Regulatory Cash Basis)<br>All Governmental Fund Types<br>For the Year Ended December 31, 2017 ..... | 11   |
| Notes to the Financial Statements<br>December 31, 2017.....   | 12   |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....          | 19   |
| Schedule of Findings.....   | 21   |

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Chatham Township  
Medina County  
P.O. Box 99  
Spencer, Ohio 44275

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 Chatham Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017.

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

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

### ***Auditor's Responsibility***

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

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

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

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

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

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Chatham Township, Medina County, Ohio, as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

February 24, 2020

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

|  | <b>General</b>  | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|-----------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                  |                 |                            |                             |   |
| Property and Other Local Taxes         | \$70,337        | \$315,664                  |                             | \$386,001                               |
| Charges for Services                   |                 | 23,339                     |                             | \$23,339                                |
| Licenses, Permits and Fees             | 8,832           | 6,567                      |                             | 15,399                                  |
| Intergovernmental                      | 39,544          | 169,253                    | \$63,668                    | 272,465                                 |
| Earnings on Investments                | 8,535           | 1,044                      |                             | 9,579                                   |
| Miscellaneous                          | 21,619          | 8,594                      |                             | 30,213                                  |
| <i>Total Cash Receipts</i>             | <u>148,867</u>  | <u>524,461</u>             | <u>63,668</u>               | <u>736,996</u>                          |
| <b>Cash Disbursements:</b>             |                 |                            |                             |   |
| Current Disbursements:                 |                 |                            |                             |   |
| General Government                     | 112,315         |                            |                             | 112,315                                 |
| Public Safety                          |                 | 137,510                    |                             | 137,510                                 |
| Public Works                           | 2,337           | 228,272                    |                             | 230,609                                 |
| Health                                 |                 | 10,426                     |                             | 10,426                                  |
| Conservation - Recreation              | 2,181           |                            |                             | 2,181                                   |
| Other                                  |                 | 91                         |                             | 91                                      |
| Capital Outlay                         |                 |                            | 63,668                      | 63,668                                  |
| <i>Total Cash Disbursements</i>        | <u>116,833</u>  | <u>376,299</u>             | <u>63,668</u>               | <u>556,800</u>                          |
| <i>Net Change in Fund Cash Balance</i> | 32,034          | 148,162                    | 0                           | 180,196                                 |
| <i>Fund Cash Balances, January 1</i>   | <u>51,036</u>   | <u>965,775</u>             | <u>2,321</u>                | <u>1,019,132</u>                        |
| <b>Fund Cash Balances, December 31</b> |                 |                            |                             |   |
| Restricted                             |                 | 1,113,937                  | 2,321                       | 1,116,258                               |
| Assigned                               | 669             |                            |                             | 669                                     |
| Unassigned                             | 82,401          |                            |                             | 82,401                                  |
| <i>Fund Cash Balances, December 31</i> | <u>\$83,070</u> | <u>\$1,113,937</u>         | <u>\$2,321</u>              | <u>\$1,199,328</u>                      |

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

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Chatham Township, Medina County, Ohio, (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's management believe these financial statements present all activities for which the Township is financially accountable.

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

***Basis of Presentation***

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

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

***Gasoline Tax Fund*** The gas tax fund accounts for and reports the 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 the portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***Cemetery Fund*** The cemetery fund receives property tax revenue and service fees for maintaining cemetery operations and maintenance.

***Fire and Rescue Operations Fund*** The fire and rescue operations fund receives property tax revenue for supporting all fire department related expenses.

***Fire and Rescue, Ambulance and EMS Fund*** The fire and rescue, ambulance and EMS fund receives charges for services revenue from ambulance billings which are used to help support EMS operations.

***Road and Bridge Fund*** The road and bridge fund receives property tax revenue which is used for maintaining and repairing Township roads.



**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**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:

**Public Works Issue II Fund** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

***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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio 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 and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***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.

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

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, 2018 follows:

| 2018 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$113,917            | \$148,867          | \$34,950  |
| Special Revenue                   | 481,767              | 524,461            | 42,694    |
| Capital Projects                  | 0                    | 63,668             | 63,668    |
| Total                             | \$595,684            | \$736,996          | \$141,312 |

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 3 – Budgetary Activity (Continued)**

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$178,834                  | \$117,500                 | \$61,334    |
| Special Revenue                                       | 1,404,153                  | 378,809                   | 1,025,344   |
| Capital Projects                                      | 63,668                     | 63,668                    | 0           |
| Total   | \$1,646,655                | \$559,977                 | \$1,086,678 |

**Note 4 – Deposits and Investments**

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

|                         |             |
|-------------------------|-------------|
|                         | 2018        |
| Demand deposits         | \$467,948   |
| Certificates of deposit | 731,380     |
| Total deposits          | \$1,199,328 |

***Deposits***

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

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 6 – Risk Management**

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

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

|                 |                     |
|-----------------|---------------------|
| Assets          | \$15,065,412        |
| Liabilities     | <u>(10,734,623)</u> |
| Members' Equity | <u>\$ 4,330,789</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

***Social Security***

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

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

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

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**Note 8 – Postemployment Benefits**

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

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**Chatham Township**  
*Medina 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**

|  | <b>General</b>  | <b>Special<br/>Revenue</b> | <b>Capital<br/>Projects</b> | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|-----------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>                  |                 |                            |                             |   |
| Property and Other Local Taxes         | \$66,455        | \$281,943                  |                             | \$348,398                               |
| Charges for Services                   |                 | 22,115                     |                             | \$22,115                                |
| Licenses, Permits and Fees             | 4,436           | 11,822                     |                             | 16,258                                  |
| Intergovernmental                      | 39,265          | 166,058                    |                             | 205,323                                 |
| Earnings on Investments                | 7,071           | 861                        |                             | 7,932                                   |
| Miscellaneous                          | 7,086           | 8,567                      |                             | 15,653                                  |
| <i>Total Cash Receipts</i>             | <u>124,313</u>  | <u>491,366</u>             | <u>0</u>                    | <u>615,679</u>                          |
| <b>Cash Disbursements:</b>             |                 |                            |                             |   |
| Current Disbursements:                 |                 |                            |                             |   |
| General Government                     | 95,607          |                            |                             | 95,607                                  |
| Public Safety                          |                 | 108,850                    |                             | 108,850                                 |
| Public Works                           | 2,109           | 140,523                    |                             | 142,632                                 |
| Health                                 |                 | 14,744                     |                             | 14,744                                  |
| Conservation - Recreation              | 2,504           |                            |                             | 2,504                                   |
| Other                                  |                 | 143                        |                             | 143                                     |
| Capital Outlay                         |                 | 3,889                      |                             | 3,889                                   |
| Debt Service:                          |                 |                            |                             |   |
| Principal Retirement                   |                 | 41,412                     |                             | 41,412                                  |
| Interest and Fiscal Charges            |                 | 1,162                      |                             | 1,162                                   |
| <i>Total Cash Disbursements</i>        | <u>100,220</u>  | <u>310,723</u>             | <u>0</u>                    | <u>410,943</u>                          |
| <i>Net Change in Fund Cash Balance</i> | 24,093          | 180,643                    | 0                           | 204,736                                 |
| <i>Fund Cash Balances, January 1</i>   | <u>26,943</u>   | <u>785,131</u>             | <u>2,321</u>                | <u>814,395</u>                          |
| <b>Fund Cash Balances, December 31</b> |                 |                            |                             |   |
| Restricted                             |                 | 965,774                    | 2,321                       | 968,095                                 |
| Assigned                               | 51,036          |                            |                             | 51,036                                  |
| <i>Fund Cash Balances, December 31</i> | <u>\$51,036</u> | <u>\$965,774</u>           | <u>\$2,321</u>              | <u>\$1,019,131</u>                      |

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

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 1 – Reporting Entity**

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

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

***Basis of Presentation***

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

***Fund Accounting***

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***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:

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

***Cemetery Fund*** The cemetery fund receives property tax revenue and service fees for maintaining cemetery operations and maintenance.

***Fire and Rescue Operations Fund*** The fire and rescue operations fund receives property tax revenue for supporting all fire department related expenses.

***Fire and Rescue, Ambulance and EMS Fund*** The fire and rescue, ambulance and EMS fund receives charges for services revenue from ambulance billings which are used to help support EMS operations.

***Road and Bridge Fund*** The road and bridge fund receives property tax revenue which is used for maintaining and repairing Township roads.



**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**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:

**Public Works Issue II Fund** The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

***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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio 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 and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

***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.

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***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.

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<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$126,274            | \$124,313          | (\$1,961) |
| Special Revenue                   | 479,041              | 491,366            | 12,325    |
| Total                             | \$605,315            | \$615,679          | \$10,364  |

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 – Budgetary Activity (Continued)**

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$139,514                  | \$100,827                 | \$38,687  |
| Special Revenue                                       | 1,154,279                  | 333,734                   | 820,545   |
| Capital Projects                                      | 2,321                      | 0                         | 2,321     |
| Total   | \$1,296,114                | \$434,561                 | \$861,553 |

**Note 4 – Deposits and Investments**

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

|                         |             |
|-------------------------|-------------|
|                         | 2017        |
| Demand deposits         | \$721,945   |
| Certificates of deposit | 297,186     |
| Total deposits          | \$1,019,131 |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool. The Township has no investments.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Risk Management**

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

|                 |                     |
|-----------------|---------------------|
| Assets          | \$14,853,620        |
| Liabilities     | <u>(9,561,108)</u>  |
| Members' Equity | <u>\$ 5,292,512</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. For 2017, 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.

**Chatham Township**  
*Medina County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 – Defined Benefit Pension Plans (Continued)**

***Social Security***

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017.

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# OHIO AUDITOR OF STATE KEITH FABER



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Cleveland, Ohio 44113-1801  
(216) 787-3665 or (800) 626-2297  
NortheastRegion@ohioauditor.gov

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

Chatham Township  
Medina County  
P.O. Box 99  
Spencer, Ohio 44275

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 Chatham Township, Medina County, Ohio, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 24, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

***Township's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

February 24, 2020



CHATHAM TOWNSHIP  
MEDINA COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

**Noncompliance Finding / Material Weakness – Ohio Public Works Commission Grant**

**Ohio Rev. Code § 5705.42** requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. Additionally, **Auditor of State Bulletin 2002-004** establishes the requirements for an entity receiving funding from the Ohio Public Works Commission (OPWC) Infrastructure Project. Entities are required to establish a capital projects fund to account for the funding. In the case where monies available from other funds (i.e. General Fund) will be used to meet the local matching requirements, the entity shall transfer these monies into the capital projects fund. The entity should record payments made on its behalf to vendors by OPWC as revenues and expenditures on its financial statements. Additionally, the entity shall appropriate money in the capital projects fund for local matching contributions and OPWC funding (including on-behalf-of payments) and obtain amended certificates of estimated resources to include the grant funding and local matching contributions anticipated to be recorded in the capital projects fund.

In 2018, the Township received a grant from OPWC in the amount of \$63,668. OPWC made payments directly to the vendor on the Township's behalf, and the Township did not record those payments and corresponding intergovernmental receipts in the accounting system or year-end financial statements. The financial statements were adjusted by management to record capital outlay expense and intergovernmental receipts in the Capital Projects Funds opinion unit to correct this error.

Additionally, the Township did not update appropriations in their accounting system or obtain an amended certificate of estimated resources for this project.

The Township should ensure procedures are implemented to record all on-behalf-of grant expenditures and corresponding receipts in their accounting system and the financial statements. The Township should also update appropriations in their accounting system and obtain amended certificates of estimated resources from the County Auditor for OPWC projects.

**Officials' Response:** The Township acknowledges the finding and has corrected the communication issue to receive documents related to OPWC.

## FINDING NUMBER 2018-002

### Material Weakness – Financial Statement Adjustments

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

The following financial statement errors were identified and adjusted to the financial statements by management:

- For 2017, property and other local taxes in the General Fund were overstated by \$38,142 and intergovernmental revenue and the fund cash balance were understated by \$5,482 and \$32,660, respectively. Additionally, property and other local taxes, intergovernmental revenue, and the fund cash balance in the Special Revenue Funds were understated by \$9,438, \$23,222, and \$32,660, respectively. These errors were due to a real estate tax advance not being allocated to the proper funds and a homestead and rollback receipt being recorded as property taxes rather than intergovernmental revenue.
- For 2018 and 2017, property and other local taxes in the Special Revenue Funds were overstated by \$24,780 and \$23,833, respectively, and intergovernmental revenue in the Special Revenue Funds were understated by equal amounts due to Permissive Motor Vehicle License Tax distributions being reported as property and other local taxes instead of intergovernmental revenue.
- For 2017, principal retirement in the Special Revenue Funds was understated by \$21,053 and capital outlay disbursements were overstated by an equal amount.
- For 2018, property and other local taxes in the General fund were overstated by \$9,242 and general government disbursements and intergovernmental revenue were understated by \$1,852 and \$11,094, respectively. Additionally, property and other local taxes in the Special Revenue Funds were overstated by \$44,682 and various disbursement accounts and intergovernmental revenue were understated by \$2,688 and \$47,370, respectively. These errors were due to homestead and rollback being recorded as property taxes rather than intergovernmental revenue and certain property tax receipts being recorded net of County auditor expenses.

In addition to the adjustments listed above, we also identified additional misstatements ranging from \$1,592 to \$1,934 that we have brought to the Township's attention.

Failure to accurately report financial transactions could lead to material financial statement misstatements in the future.

The Township should use due care when posting receipts and disbursements to the UAN system, which ultimately generates the year-end financial statements to ensure the financial statements are accurate and complete.

**Officials' Response:** The Township acknowledges the finding and has completed the fund balance adjustment.

# OHIO AUDITOR OF STATE KEITH FABER



**CHATHAM TOWNSHIP**

**MEDINA 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  
MARCH 19, 2020**