

MUNSON TOWNSHIP

GEAUGA COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016





Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Munson Township, Geauga County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit

The Board of Township Trustees approved Fire and EMS Administrator Mark Lynn's salary increases to \$72,480.30 per year effective January 26, 2015 and \$74,075 per year effective April 18, 2016. Additionally, Mr. Lynn was granted a monthly cellular phone allowance of \$100 per month for 2015 and 2016 to be included in his bi-weekly paycheck. Gross biweekly pay would be calculated by adding the annual salary plus the cell phone allowance over 12 months and dividing the total by the number of biweekly pay dates in the year. The number of biweekly pay dates is typically 26 per year, however periodically there are 27, which occurred in 2016. The Fiscal Officer calculated Mr. Lynn's 2016 biweekly pay based on 26 pay dates per year, rather than 27.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Mark Lynn in the amount of \$2,874, and in favor of the Munson Township General Fund, in the amount of \$2,874.

The \$2,874 finding for recovery was fully repaid under audit via payments totaling \$2,395 and \$479 deposited and posted to the Township's accounting system on May 29, 2018 and June 7, 2018, respectively.

The Township should implement monitoring controls to help ensure officials and employees are paid accurately.

Board of Trustees
Munson Township
12210 Auburn Road
Chardon, Ohio 44024
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Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Munson Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

July 11, 2018

**MUNSON TOWNSHIP
 GEAUGA COUNTY
 For the years ended December 31, 2017 and 2016**

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INDEPENDENT AUDITOR'S REPORT

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Munson Township, Geauga County, (the Township) as of and for the years ended December 31, 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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

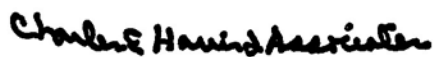
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, or its changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of the Munson Township, Geauga County as of December 31, 2017 and 2016, 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 June 7, 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.



Charles E. Harris & Associates, Inc.
June 7, 2018

Munson Township
Geauga County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 401,625	\$ 1,942,904	\$ -	\$ 2,344,529
Charges for Services	-	244,679	-	244,679
Licenses, Permits and Fees	65,795	4,873	-	70,668
Fines and Forfeitures	177	-	-	177
Intergovernmental	146,483	353,378	158,885	658,746
Earnings on Investments	9,296	966	-	10,262
Miscellaneous	21,255	53,600	-	74,855
Total Cash Receipts	644,631	2,600,400	158,885	3,403,916
Cash Disbursements				
Current Disbursements:				
General Government	369,359	-	-	369,359
Public Safety	101,892	1,554,547	-	1,656,439
Public Works	8,797	817,756	-	826,553
Health	17,181	13,900	-	31,081
Conservation-Recreation	36,239	-	-	36,239
Capital Outlay	14,749	49,657	158,885	223,291
Debt Service:				
Principal Retirement	42,272	-	-	42,272
Interest and Fiscal Charges	9,872	-	-	9,872
Total Cash Disbursements	600,361	2,435,860	158,885	3,195,106
<i>Excess Receipts Over (Under) Disbursements</i>	44,270	164,540	-	208,810
Other Financing Receipts (Disbursements)				
Sale of Fixed Assets	-	3,925	-	3,925
Total Other Financing Receipts (Disbursements)	-	3,925	-	3,925
<i>Net Change in Fund Cash Balance</i>	44,270	168,465	-	212,735
<i>Fund Cash Balances, January 1</i>	95,974	253,722	-	349,696
Fund Cash Balances, December 31				
Restricted	-	422,187	-	422,187
Assigned	104,699	-	-	104,699
Unassigned	35,545	-	-	35,545
Fund Cash Balances, December 31	\$ 140,244	\$ 422,187	\$ -	\$ 562,431

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

Munson Township
Geauga County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2017

	Fiduciary Fund Type
	Agency
Cash Receipts	
Earnings on Investments	\$ 39
Total Cash Receipts	39
Cash Disbursements	
Current Disbursements:	
Other	596
<i>Total Cash Disbursements</i>	596
<i>Operating Income (Loss)</i>	(557)
<i>Non-Operating Receipts (Disbursements)</i>	
Miscellaneous Receipts	7,296
Other Financing Uses	(5,500)
<i>Total Non-Operating Receipts (Disbursements)</i>	1,796
<i>Net Change in Fund Cash Balances</i>	1,239
<i>Fund Cash Balances, January 1</i>	2,207
<i>Fund Cash Balances, December 31</i>	\$ 3,446

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

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

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

Primary Government

The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Munson Fire Department to provide fire and EMS services. Police protection is provided by the Geauga County Sheriff's Department. To supplement the services provided, Munson Township contracts with the Sheriff's Department for additional patrol.

Public Entity Risk Pool

The Township participates in a Public Entity Risk Pool for casualty and property coverage. See Note 6 for additional information.

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 balances (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:

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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 Commission Project Fund – The Township received a grant from the state for the widening and asphalt resurfacing of Fowlers Mill Road, Section D.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments, which are not available to support the Township's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for donations for college scholarships.

Basis of Accounting

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.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department, object, and line item level for all funds, the legal level of control approved by the Township. 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 re-appropriated.

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.

During 2017, the Township invested in STAR OHIO. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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 *nonspendable* fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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	\$613,884	\$644,631	\$30,747
Special Revenue	2,557,676	2,604,325	46,649
Capital Projects	158,885	158,885	0
Fiduciary	7,250	7,335	85

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$705,858	\$600,361	\$105,497
Special Revenue	2,749,575	2,438,106	311,469
Capital Projects	158,885	158,885	0
Fiduciary	6,557	6,096	461

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:

Demand deposits	2017 \$212,993
Total deposits	212,993
STAR Ohio	352,884
Total investments	352,884
Total deposits and investments	\$565,877

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Township had no funds exposed to custodial credit risk.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments (continued)

Investments

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

Investments in STAR Ohio and mutual funds 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.

In November 2016, the Township passed a new 1.65 mill fire operating and apparatus levy, which increased the full tax rate for all Township operations for the year ended December 31, 2017, from 12.25 to 13.9 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property:	
Residential/Agricultural	\$206,239,490
Other	15,527,920
Personal Property:	
Public Utility	<u>7,199,510</u>
 Total Assessed Value	 <u><u>\$228,966,920</u></u>

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

Note 6 - Risk Management

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

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (continued)

Property and Liability

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

Casualty 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 \$14,000.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (continued)

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
\$ 31,307

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

Workers' Compensation

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

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended 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. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Note 9 – Long Term Obligations

During 2015, the Township issued a \$309,987 equipment lease agreement for the purchase of a new fire truck to be paid over a three-year period. In 2016, \$204,039 was refinanced, with the balance to be repaid over a six-year period with a final maturity in 2022 and an interest rate of 3.457 percent. As part of this agreement the bank added \$482 of principal to the Township's balance. During 2016, the Township issued a \$95,839 equipment lease to upgrade a new ladder truck to a bucket truck, with payment to begin in 2017. The loan will be paid over a six-year period with final maturity in 2022 and an interest rate of 3.76 percent.

Long-term obligations at 2017 follows:

	Outstanding 12/31/2017
Fire Truck Lease	\$153,730
Bucket Truck Lease	\$81,301
	\$235,031

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Year	Fire Truck Lease		Year	Bucket Truck Loan	
	Principal	Interest		Principal	Interest
2018	\$ 28,693	\$ 5,314	2018	\$ 15,084	\$ 3,053
2019	29,684	4,323	2019	15,650	2,487
2020	30,711	3,296	2020	16,238	1,899
2021	31,772	2,234	2021	16,848	1,289
2022	32,870	1,136	2022	17,481	657
Total	\$153,730	\$16,304		\$ 81,301	\$ 9,385

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Contingent Liabilities

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

Munson Township
Geauga County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$ 398,904	\$ 1,556,826	\$ 1,955,730
Charges for Services	-	218,285	218,285
Licenses, Permits and Fees	82,664	6,619	89,283
Intergovernmental	138,384	337,845	476,229
Earnings on Investments	10,164	762	10,926
Miscellaneous	19,903	19,958	39,861
Total Cash Receipts	650,019	2,140,295	2,790,314
Cash Disbursements			
Current Disbursements:			
General Government	415,799	-	415,799
Public Safety	318,380	1,198,935	1,517,315
Public Works	8,642	883,479	892,121
Health	18,511	9,654	28,165
Conservation-Recreation	29,460	-	29,460
Capital Outlay	26,213	22,727	48,940
Debt Service:			
Principal Retirement	26,807	-	26,807
Interest and Fiscal Charges	7,199	-	7,199
Total Cash Disbursements	851,011	2,114,795	2,965,806
<i>Excess Receipts Over (Under) Disbursements</i>	<i>(200,992)</i>	<i>25,500</i>	<i>(175,492)</i>
Other Financing Receipts (Disbursements)			
Sale of Fixed Assets	4,320	9,180	13,500
Total Other Financing Receipts (Disbursements)	4,320	9,180	13,500
<i>Net Change in Fund Cash Balance</i>	<i>(196,672)</i>	<i>34,680</i>	<i>(161,992)</i>
<i>Fund Cash Balances, January 1</i>	<i>292,646</i>	<i>219,042</i>	<i>511,688</i>
Fund Cash Balances, December 31			
Restricted	-	253,722	253,722
Assigned	91,974	-	91,974
Unassigned	4,000	-	4,000
Fund Cash Balances, December 31	\$ 95,974	\$ 253,722	\$ 349,696

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

Munson Township
Geauga County
Statement of Receipts, Disbursements and
Changes In Fund Balances (Regulatory Cash Basis)
All Fiduciary Fund Types
For the Year Ended December 31, 2016

	<u>Fiduciary Fund Type</u>
	<u>Agency</u>
Cash Receipts	
Earnings on Investments	\$ 54
Total Cash Receipts	54
Cash Disbursements	
Current Disbursements:	
Other	486
<i>Total Cash Disbursements</i>	486
<i>Operating Income (Loss)</i>	(432)
<i>Non-Operating Receipts (Disbursements)</i>	
Miscellaneous Receipts	8,451
Other Financing Uses	(9,750)
<i>Total Non-Operating Receipts (Disbursements)</i>	(1,299)
<i>Net Change in Fund Cash Balances</i>	(1,731)
<i>Fund Cash Balances, January 1</i>	3,938
<i>Fund Cash Balances, December 31</i>	\$ 2,207

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

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

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

Primary Government

The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Munson Fire Department to provide fire and EMS services. Police protection is provided by the Geauga County Sheriff's Department. To supplement the services provided, Munson Township contracts with the Sheriff's Department for additional patrol.

Public Entity Risk Pool

The Township participates in a Public Entity Risk Pool for casualty and property coverage. See Note 6 for additional information.

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 balances (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:

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Fiduciary Funds

Fiduciary funds include 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. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization, or other government. The Township's agency fund accounts for donations for college scholarships.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary 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, department, object, and line item level for all funds, the legal level of control approved by the Township. 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.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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

During 2016, the Township invested in governmental national mortgage association bonds (GNMA) and in STAR OHIO. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. The GNMA bonds are recorded at cost.

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.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$637,508	\$654,339	\$16,831
Special Revenue	2,106,661	2,149,475	42,814
Fiduciary	6,412	8,505	2,093

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$929,227	\$851,011	\$78,216
Special Revenue	2,208,832	2,116,895	91,937
Fiduciary	10,350	10,236	114

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

	<u>2016</u>
Demand deposits	<u>\$339,673</u>
Total deposits	<u>339,673</u>
GNMA Bond	<u>12,230</u>
Total investments	<u>12,230</u>
Total deposits and investments	<u><u>\$351,903</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, the Township had no funds exposed to custodial credit risk.

Investments

Investments in STAR Ohio and mutual funds 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.

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

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

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

Property and Liability Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. At December 31, 2016, the Pool 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:

	<u>2016</u>
Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Position	<u><u>\$30,229,143</u></u>

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (continued)

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 \$14,000.

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

The Township's contributions to OTARMA are as follows:

2016	\$	31,480
------	----	--------

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 budgetary contribution. Withdrawing members have no other future obligation to the pool. In addition, upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Workers' Compensation

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

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

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

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

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 2.0 percent during calendar year 2016.

Note 9 – Long Term Obligations

In 2015, the Township issued a \$309,987 equipment lease agreement for the purchase of a new fire truck to be paid over a three-year period. In 2016, \$204,039 was refinanced, with the balance to be paid over a six-year period with a final maturity in 2022 and an interest rate of 3.457 percent. As part of this agreement the bank added \$482 of principal to the Township's balance. In 2016, the Township issued a \$95,839 equipment lease to upgrade a new ladder truck to a bucket truck, with payment to begin in 2017. The loan will be paid over a six-year period with final maturity in 2022 and an interest rate of 3.76 percent.

Debt outstanding as of December 31, 2016 was as follows:

	Principal
Fire Truck Lease	\$181,464
Bucket Truck Lease	\$95,839
Total	<u>\$277,303</u>

Munson Township, Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Long Term Obligations (continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

Year	Fire Truck Lease		Year	Bucket Truck Lease	
	Principal	Interest		Principal	Interest
2017	\$ 27,734	\$ 6,273	2017	\$ 14,538	\$ 3,599
2018	28,693	5,314	2018	15,084	3,053
2019	29,684	4,323	2019	15,650	2,487
2020	30,711	3,296	2020	16,238	1,899
2021	31,772	2,234	2021	16,848	1,289
2022	32,870	1,136	2022	17,481	657
Total	\$ 181,464	\$ 22,577		\$ 95,839	\$ 12,984

Note 10 – Contingent Liabilities

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

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Charles E. Harris & Associates, Inc
Certified Public Accountants

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

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

To the Board of Trustees:

We have audited, in accordance with 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 Munson 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 7, 2018, wherein we noted that the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 7, 2018.

Purpose of this Report

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



Charles E. Harris & Associates, Inc.

June 7, 2018



Dave Yost • Auditor of State

MUNSON TOWNSHIP

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 24, 2018**