



Dave Yost • Auditor of State

**MUNSON TOWNSHIP
GEAUGA COUNTY**

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GEAUGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Special Fire Levy Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental and Other Information

We audited to opine on the Township's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities, and total and net cost of program services. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2014

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Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

This discussion and analysis of the Munson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2013, within the limitations of the Township's cash basis accounting. Readers should also view the basic financial statements and notes to enhance their understanding of the Township's financial performance. The intent of this discussion and analysis is to look at the Township's financial performance as a whole.

Financial Highlights

Highlights for 2013 are as follows:

- The Township performed a major expansion and renovation project to the Town Hall that also included replacing the roof of the fire station bay. This also included a new parking area.
- The Fire Department purchased a new thermal imaging camera, replaced their paging system and purchased two stair chairs for the squads.
- The Road Department purchased a new crew cab truck, a 4 wheel drive truck and eleven digital radios.
- Micro-surfacing was applied to several Township roads during the year. Improvements to roads also consisted of applying a bio-based rejuvenator and improving drainage on different road sites. Asphalt resurfacing projects totaled \$229,871 and included Regent Park, Tallow Tree, Lindon Way, Gate Post Lane and Boxwood Circle.
- The Township received a Moving Forward Reimbursement Grant for the demolition of an unsafe structure. A Scrap Tire Grant was received through the Geauga-Trumbull Waste Management District. Also, a MORE Grant from OTARMA was awarded for risk reduction equipment for the Road Department.

Using the Basic Financial Statements

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

Report Components

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

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

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

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Basis of Accounting

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

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

Reporting the Township as a Whole

The statement of net position and the statement of activities reflect how the Township did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental program of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

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

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

spent for the intended purpose. The funds of the Township are split into two categories: governmental and fiduciary.

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

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

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2013 compared to 2012 on a cash basis:

Table 1
Net Position

	Governmental Activities		
	2013	2012	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$1,420,262	\$2,289,391	(\$869,129)
Net Position			
Restricted for Capital Projects	\$0	\$1,406	(\$1,406)
Restricted for Other Purposes	216,982	289,412	(72,430)
Unrestricted	1,203,280	1,998,573	(795,293)
Total Net Position	\$1,420,262	\$2,289,391	(\$869,129)

Net position decreased from 2012 as a result of the additions and improvements made to the Munson Town Hall during 2013, spending \$970,000 on the improvements. Other capital projects were undertaken as well which included the purchase of vehicles and equipment as well as improvements to roads. Management continues to diligently plan expenses, staying carefully within the Township's receipts.

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2013 and 2012 for governmental activities.

Table 2
Changes in Net Position

	Governmental Activities		
	2013	2012	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$291,094	\$228,526	\$62,568
Operating Grants and Contributions	335,653	320,930	14,723
Capital Grants and Contributions	0	42,440	(42,440)
Total Program Receipts	626,747	591,896	34,851
General Receipts:			
Property Taxes	1,919,841	1,803,202	116,639
Grants and Entitlements not Restricted to Specific Programs	458,337	313,842	144,495
Sale of Capital Assets	20,370	2,502	17,868
Cable Franchise Tax	49,002	48,577	425
Interest	35,525	53,225	(17,700)
Miscellaneous	45,140	35,746	9,394
Total General Receipts	2,528,215	2,257,094	271,121
<i>Total Receipts</i>	<i>3,154,962</i>	<i>2,848,990</i>	<i>305,972</i>
Disbursements:			
General Government	362,372	420,848	(58,476)
Public Safety	1,489,921	1,408,630	81,291
Public Works	1,075,696	1,146,549	(70,853)
Health	16,708	17,595	(887)
Conservation and Recreation	47,134	59,553	(12,419)
Capital Outlay	1,032,260	323,103	709,157
Total Program Expenses	4,024,091	3,376,278	647,813
<i>Change in Net Position</i>	<i>(869,129)</i>	<i>(527,288)</i>	<i>(341,841)</i>
<i>Net Position Beginning of Year</i>	<i>2,289,391</i>	<i>2,816,679</i>	<i>(527,288)</i>
Net Position End of Year	\$1,420,262	\$2,289,391	(\$869,129)

Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for the sale of cemetery lots and charges to University Hospital – Heather Hill for emergency medical services. During 2013, the Township received grants for various purposes which included demolition of an unsafe structure, removal and treatment of scrap tires and to purchase equipment to reduce risk for road workers.

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

General receipts represent the largest portion of the Township's total receipts, and of this amount the majority is local taxes. State and federal grants and entitlements make up the other large percentage of the Township's general receipts. Other receipts are very insignificant and are from somewhat unpredictable revenue sources.

Expenses for public safety and public works represent the largest portion of disbursements incurred by the Township. Monies spent from these categories represent payment for fire protection along with the road employees for upkeep and maintenance on the Townships roads.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the elected officials and office staff and services provided by the county auditor, treasurer, legal and engineering departments, as well as internal services such as payroll and purchasing.

Governmental Activities

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

Table 3
Total and Net Cost of Program Services

	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
General Government	\$362,372	(\$342,164)	\$420,848	(\$420,185)
Public Safety	1,489,921	(1,109,871)	1,408,630	(1,077,641)
Public Works	1,075,696	(857,847)	1,146,549	(902,341)
Health	16,708	(9,218)	17,595	(1,559)
Conservation and Recreation	47,134	(45,984)	59,553	(59,553)
Capital Outlay	1,032,260	(1,032,260)	323,103	(323,103)
Total	\$4,024,091	(\$3,397,344)	\$3,376,278	(\$2,784,382)

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The Township's Funds

Information about the Township's governmental funds begins on page 15. All governmental funds had receipts of \$3,134,592 and disbursements of \$4,024,091. The Township's governmental funds reflected a decrease in fund balances due to the major renovation project completed on the Munson Town Hall.

Budgeting Highlights

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

The most significant budgeted fund is the general fund. For the general fund, original and final budgeted receipts were \$592,619 and \$967,437, respectively, and actual receipt collections were \$982,077. The Township conservatively budgeted for intergovernmental receipts during the year. Original and final appropriations were \$2,579,490 and \$2,952,843, respectively, and actual disbursements were \$1,791,605. Actual disbursements were \$1,161,238 under the final appropriations. The Township budgeted for larger volume of capital projects during the year than what actually occurred.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2013, the Township had no outstanding debt.

Current Financial Issues

The Township completed a major project in 2013 supported by the general fund for the renovation of and an addition to the Munson Town Hall to provide needed office space and storage. The existing community room was subdivided into offices and a new lobby. Public restrooms and a larger community room were constructed. This also included excavation of the grounds for drainage and a new parking area. As part of the project, the flat roof over the fire station was raised and replaced with a peaked roof.

In 2014, the Township will look at funding options to replace a fire truck at an approximate cost of \$450,000. Addressing a major road project, Sherman Road, is also a priority for the Township.

Dealing with the loss of inheritance tax revenues will prove challenging to the Township resulting in the Township possibly needing to seek out additional sources of funding.

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

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

Contacting the Township's Finance Department

This financial report is designed to provide our residents, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Judy Toth, Fiscal Officer, Munson Township, 12210 Auburn Road, Chardon, Ohio 44024, or call the Township office 440-286-9255.

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MUNSON TOWNSHIP
GEAUGA COUNTY
Statement of Net Position - Cash Basis
December 31, 2013

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,420,262</u>
Net Position	
Restricted for Other Purposes	\$216,982
Unrestricted	<u>1,203,280</u>
<i>Total Net Position</i>	<u>\$1,420,262</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2013*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Assessments	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$362,372	\$20,208	\$0	(\$342,164)
Public Safety	1,489,921	261,010	119,040	(1,109,871)
Public Works	1,075,696	1,761	216,088	(857,847)
Health	16,708	7,490	0	(9,218)
Conservation-Recreation	47,134	625	525	(45,984)
Capital Outlay	1,032,260	0	0	(1,032,260)
<i>Total Governmental Activities</i>	<u>\$4,024,091</u>	<u>\$291,094</u>	<u>\$335,653</u>	<u>(3,397,344)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		392,425
		Road and Bridge		712,606
		Fire		814,810
		Grants and Entitlements not Restricted to Specific Programs		458,337
		Sale of Capital Assets		20,370
		Cable Franchise Fees		49,002
		Interest		35,525
		Miscellaneous		45,140
		<i>Total General Receipts</i>		<u>2,528,215</u>
		Change in Net Position		(869,129)
		<i>Net Position Beginning of Year</i>		<u>2,289,391</u>
		<i>Net Position End of Year</i>		<u>\$1,420,262</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP
GEOUGA COUNTY
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2013

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,203,280</u>	<u>\$131,774</u>	<u>\$3,218</u>	<u>\$81,990</u>	<u>\$1,420,262</u>
Fund Balances					
Restricted	\$0	\$131,774	\$3,218	\$81,990	\$216,982
Committed	3,440	0	0	0	3,440
Assigned	<u>1,199,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,199,840</u>
<i>Total Fund Balances</i>	<u>\$1,203,280</u>	<u>\$131,774</u>	<u>\$3,218</u>	<u>\$81,990</u>	<u>\$1,420,262</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2013*

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$392,425	\$712,606	\$814,810	\$0	\$1,919,841
Charges for Services	1,761	0	0	261,010	262,771
Licenses, Permits and Fees	17,661	0	0	7,490	25,151
Cable Franchise Fees	49,002	0	0	0	49,002
Intergovernmental	458,337	102,202	119,040	113,886	793,465
Gifts and Donations	525	0	0	0	525
Rentals	3,172	0	0	0	3,172
Interest	35,151	0	0	374	35,525
Miscellaneous	42,082	3,058	0	0	45,140
<i>Total Receipts</i>	<u>1,000,116</u>	<u>817,866</u>	<u>933,850</u>	<u>382,760</u>	<u>3,134,592</u>
Disbursements					
Current:					
General Government	362,372	0	0	0	362,372
Public Safety	316,888	0	942,350	230,683	1,489,921
Public Works	115,592	856,691	0	103,413	1,075,696
Health	4,789	0	0	11,919	16,708
Conservation-Recreation	47,134	0	0	0	47,134
Capital Outlay	948,634	45,252	516	37,858	1,032,260
<i>Total Disbursements</i>	<u>1,795,409</u>	<u>901,943</u>	<u>942,866</u>	<u>383,873</u>	<u>4,024,091</u>
<i>Excess of Receipts Under Disbursements</i>	(795,293)	(84,077)	(9,016)	(1,113)	(889,499)
Other Financing Sources					
Sale of Capital Assets	0	4,900	8,500	6,970	20,370
<i>Net Change in Fund Balances</i>	(795,293)	(79,177)	(516)	5,857	(869,129)
<i>Fund Balances Beginning of Year</i>	<u>1,998,573</u>	<u>210,951</u>	<u>3,734</u>	<u>76,133</u>	<u>2,289,391</u>
<i>Fund Balances End of Year</i>	<u>\$1,203,280</u>	<u>\$131,774</u>	<u>\$3,218</u>	<u>\$81,990</u>	<u>\$1,420,262</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$388,710	\$388,710	\$392,425	\$3,715
Charges for Services	0	0	1,761	1,761
Licenses, Permits and Fees	0	0	4	4
Cable Franchise Fees	0	42,000	49,002	7,002
Intergovernmental	100,309	447,858	458,337	10,479
Gifts and Donations	0	0	525	525
Rentals	0	0	3,172	3,172
Interest	0	60,000	35,151	(24,849)
Miscellaneous	103,600	28,869	41,700	12,831
<i>Total Receipts</i>	<u>592,619</u>	<u>967,437</u>	<u>982,077</u>	<u>14,640</u>
Disbursements				
Current:				
General Government	440,775	489,238	358,037	131,201
Public Safety	394,553	413,227	317,419	95,808
Public Works	39,000	195,363	115,592	79,771
Health	8,850	9,545	4,789	4,756
Conservation-Recreation	73,500	79,627	47,134	32,493
Capital Outlay	1,622,812	1,765,843	948,634	817,209
<i>Total Disbursements</i>	<u>2,579,490</u>	<u>2,952,843</u>	<u>1,791,605</u>	<u>1,161,238</u>
<i>Net Change in Fund Balance</i>	(1,986,871)	(1,985,406)	(809,528)	1,175,878
<i>Fund Balance Beginning of Year</i>	1,985,405	1,985,405	1,985,405	0
Prior Year Encumbrances Appropriated	<u>6,151</u>	<u>6,151</u>	<u>6,151</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$4,685</u></u>	<u><u>\$6,150</u></u>	<u><u>\$1,182,028</u></u>	<u><u>\$1,175,878</u></u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property Taxes	\$703,896	\$712,606	\$712,606	\$0
Intergovernmental	94,172	102,202	102,202	0
Miscellaneous	2,000	2,000	3,058	1,058
<i>Total Receipts</i>	<u>800,068</u>	<u>816,808</u>	<u>817,866</u>	<u>1,058</u>
Disbursements				
Current:				
Public Works	964,441	962,807	859,366	103,441
Capital Outlay	13,653	48,212	45,252	2,960
<i>Total Disbursements</i>	<u>978,094</u>	<u>1,011,019</u>	<u>904,618</u>	<u>106,401</u>
<i>Excess of Receipts Under Disbursements</i>	(178,026)	(194,211)	(86,752)	107,459
Other Financing Sources				
Sale of Capital Assets	0	4,900	4,900	0
<i>Net Change in Fund Balance</i>	(178,026)	(189,311)	(81,852)	107,459
<i>Fund Balance Beginning of Year</i>	175,773	175,773	175,773	0
Prior Year Encumbrances Appropriated	35,178	35,178	35,178	0
<i>Fund Balance End of Year</i>	<u>\$32,925</u>	<u>\$21,640</u>	<u>\$129,099</u>	<u>\$107,459</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy Fund
For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Property Taxes	\$806,711	\$814,810	\$814,810	\$0
Intergovernmental	107,927	119,040	119,040	0
<i>Total Receipts</i>	<u>914,638</u>	<u>933,850</u>	<u>933,850</u>	<u>0</u>
Disbursements				
Current:				
Public Safety	917,855	943,568	942,350	1,218
Capital Outlay	517	517	516	1
<i>Total Disbursements</i>	<u>918,372</u>	<u>944,085</u>	<u>942,866</u>	<u>1,219</u>
<i>Excess of Receipts Under Disbursements</i>	(3,734)	(10,235)	(9,016)	1,219
Other Financing Sources				
Sale of Capital Assets	0	8,500	8,500	0
<i>Net Change in Fund Balance</i>	(3,734)	(1,735)	(516)	1,219
<i>Fund Balance Beginning of Year</i>	<u>3,734</u>	<u>3,734</u>	<u>3,734</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$1,999</u></u>	<u><u>\$3,218</u></u>	<u><u>\$1,219</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP
GEAUGA COUNTY
Statement of Assets and Net Position - Cash Basis
Agency Fund
December 31, 2013

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$4,652</u></u>
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Net Position

Held on Behalf of Scholarships	<u><u>\$4,652</u></u>
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See accompanying notes to the basic financial statements

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 1 – Reporting Entity

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

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

Primary Government

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

Component Units

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

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

Fund Accounting

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

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

General Fund – This fund is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge Fund – This fund is used to account for and report the receipt of real estate tax 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 tax and homestead and rollback restricted for the costs of operating the fire department.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Cash and Investments

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

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

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

During 2013, the Township invested in government national mortgage association bonds. Investments are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2013 was \$35,121 which includes \$5,152 assigned from other Township funds.

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

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

Net Position

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Township Trustees. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Township Trustees assigned fund balance to cover a gap between estimated revenue and appropriations in the 2014 appropriated budget. Township Trustees assigned fund balance for zoning.

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

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 3 – Change in Accounting Principle

For 2013, the Township has implemented Governmental Accounting Standard Board (GASB) Statement No. 61, “The Financial Reporting Entity: Omnibus.” GASB Statement No. 61 modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. The implementation of the statement did not result in any change in the Township’s financial statements.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and major special revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are that:

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

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

	Net Change in Fund Balance		
	General	Road and Bridge	Special Levy Fire
Cash Basis	(\$795,293)	(\$79,177)	(\$516)
Perspective Difference:			
Zoning	(9,376)	0	0
Adjustment for Encumbrances	(4,859)	(2,675)	0
Budget Basis	<u>(\$809,528)</u>	<u>(\$81,852)</u>	<u>(\$516)</u>

Note 5 - Fund Balances

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Fund Balances	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total
Restricted for					
Road and Bridge Maintenance	\$0	\$131,774	\$0	\$29,908	\$161,682
Fire Department	0	0	3,218	0	3,218
Emergency Medical Services	0	0	0	48,881	48,881
Cemetery	0	0	0	3,201	3,201
<i>Total Restricted</i>	<u>0</u>	<u>131,774</u>	<u>3,218</u>	<u>81,990</u>	<u>216,982</u>
Committed to					
Architectural Services	3,440	0	0	0	3,440
Assigned to					
Purchases on Order	1,419	0	0	0	1,419
Zoning	16,392	0	0	0	16,392
Year 2014 Appropriations	1,182,029	0	0	0	1,182,029
<i>Total Assigned</i>	<u>1,199,840</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,199,840</u>
Total Fund Balances	<u>\$1,203,280</u>	<u>\$131,774</u>	<u>\$3,218</u>	<u>\$81,990</u>	<u>\$1,420,262</u>

Note 6 – Deposits and Investments

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

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

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

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

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

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

Deposits 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, \$537,286 of the Township's bank balance of 1,288,618 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

As of December 31, 2013, the Township had \$374,578 in Governmental National Mortgage Association Bonds.

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

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

Note 7 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax receipts received during 2013 for real and public utility property taxes represent collections of 2012 taxes.

2013 real property taxes are levied after October 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2013 real property taxes are collected in and intended to finance 2014 operations.

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

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2013 public utility property taxes which became a lien December 31, 2012 are levied after October 1, 2013, and are collected in 2014 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2013, was \$12.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 property tax receipts were based are as follows:

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Real Property:	
Residential/Agricultural	\$200,208,140
Other	19,682,320
Personal Property:	
Public Utility	<u>4,963,060</u>
Total Assessed Value	<u><u>\$224,853,520</u></u>

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

Note 8 – 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

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

Casualty Coverage

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

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

Property Coverage

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012:

	2013	2012
Assets	\$34,954,286	\$34,771,270
Liabilities	(8,486,363)	(9,355,082)
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, casualty coverage liabilities noted above include approximately \$7.5 million and \$7.9 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$7.5 million and \$7.9 million of unpaid claims to be billed to approximately 948 and 944 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectable in future years is approximately \$63,396. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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 Townships contributions to OTARMA for the past three years are as follows:

Year	Contribution
2013	\$29,165
2012	27,787
2011	28,251

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

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

Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the Township by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating townships is calculated as one experience and a common premium rate is applied to all townships in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund."

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

Note 9 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions. The Ohio Revised Code authorizes OPERS to calculate employee contribution rates for public safety employees and limits the law enforcement rate to the public safety rate plus an additional percentage not to exceed two percent. For the year ended December 31, 2013, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The Township's 2013 contribution rate was 14.0 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, the portion of employer contribution allocated to health care was 1.00 percent for members in the Traditional Plan and the Combined Plan. Effective January 1, 2014, the portion of employer contributions allocated to health care increased to 2 percent. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2013, 2012 and 2011 were \$67,892, \$44,220 and \$52,459, respectively. For 2013, 80.22 percent has been contributed. The full amount has been contributed for 2012 and 2011. There were no contributions to the Member-Directed Plan for 2013 made by the Township or by plan members.

Note 10 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. This is the maximum employer contribution rate permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2013, the portion of employer contributions allocated to health care for members in the Traditional Plan and the Combined Plan was 1.0 percent. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012 and 2011 were \$5,222, \$24,567 and \$22,229, respectively. For 2013, 80.22 percent has been contributed. The full amount has been contributed for 2012 and 2011.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2013

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Encumbrances

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

General	\$4,859
Road and Bridge	2,675
Other Governmental Funds	<u>336</u>
Total	<u><u>\$7,870</u></u>

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Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

This discussion and analysis of the Munson Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2012, within the limitations of the Township's cash basis accounting. Readers should also view the basic financial statements and notes to enhance their understanding of the Township's financial performance. The intent of this discussion and analysis is to look at the Township's financial performance as a whole.

Financial Highlights

Highlights for 2012 are as follows:

The Township purchased a new squad vehicle for the fire department and a new pickup truck for the road department for a cost of \$172,969 and \$32,925, respectively.

The Township completed a number of capital projects during 2012. Asphalt resurfacing was done on Sherman Road from Fowlers Mill Road to Auburn Road, Hospital Drive, Britton Lane, Grey Friar Way, Keystone Lane, and Walden Oaks Drive at a cost of \$406,321. In an effort to extend the time between resurfacings, the Township also completed micro-surfacing on Wood Hollow, Sun Ridge Circle, Bridle Trail, North Bridle Trail, Paddock Drive, Valley Vista Drive, Twin Mills Lane, Hemlock Ridge Drive, and Chartley Court at a cost of \$98,526. The county completed a major bridge project, the realignment of the corner of Auburn and Sherman Roads in Munson Township; the Township's contribution for restoration of the road was \$60,000.

The Township completed park improvements including an Eloo restroom for Scenic River at a cost of \$15,500, and the construction of a new playground at the Munson Township Park for \$24,110.

The fire department received a \$13,000 grant from the Fairmount Minerals Foundation, which was used for special equipment for rescues involving structural collapses and confined spaces.

On November 6, 2012, the community continued to show support for Munson Township by approving the replacement of a 1 mill continuous fire operating levy and the renewal of a .75 mill road operating and apparatus levy for five years.

Using the Basic Financial Statements

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

Report Components

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

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

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

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

Basis of Accounting

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

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

Reporting the Township as a Whole

The statement of net position and the statement of activities reflect how the Township did financially during 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental program of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

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

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

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Reporting the Township's Most Significant Funds

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

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

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

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2012 compared to 2011 on a cash basis:

Table 1
Net Position

	Governmental Activities		
	2012	2011	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,289,391	\$2,816,679	(\$527,288)
Net Position			
Restricted for Capital Projects	\$1,406	\$11,521	(\$10,115)
Restricted for Other Purposes	289,412	439,808	(150,396)
Unrestricted	1,998,573	2,365,350	(366,777)
Total Net Position	\$2,289,391	\$2,816,679	(\$527,288)

In total, net position decreased \$527,288 or 18.72 percent during 2012. Management continues to diligently plan expenses, staying carefully within the Township's receipts.

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011 for governmental activities.

Table 2
Changes in Net Position

	Governmental Activities		
	2012	2011	Change
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$228,526	\$266,390	(\$37,864)
Operating Grants and Contributions	320,930	450,717	(129,787)
Capital Grants and Contributions	42,440	70,674	(28,234)
Total Program Receipts	591,896	787,781	(195,885)
General Receipts:			
Property Taxes	1,803,202	1,837,870	(34,668)
Grants and Entitlements not Restricted to Specific Programs	313,842	369,774	(55,932)
Sale of Capital Assets	2,502	2,495	7
Cable Franchise Tax	48,577	44,504	4,073
Interest	53,225	52,208	1,017
Miscellaneous	35,746	5,317	30,429
Total General Receipts	2,257,094	2,312,168	(55,074)
<i>Total Receipts</i>	<i>2,848,990</i>	<i>3,099,949</i>	<i>(250,959)</i>
Disbursements:			
General Government	420,848	427,431	(6,583)
Public Safety	1,408,630	1,332,699	75,931
Public Works	1,146,549	749,324	397,225
Health	17,595	13,864	3,731
Conservation and Recreation	59,553	52,852	6,701
Other	0	2,850	(2,850)
Capital Outlay	323,103	266,016	57,087
Total Program Expenses	3,376,278	2,845,036	531,242
<i>Change in Net Position</i>	<i>(527,288)</i>	<i>254,913</i>	<i>(782,201)</i>
<i>Net Position Beginning of Year</i>	<i>2,816,679</i>	<i>2,561,766</i>	<i>254,913</i>
<i>Net Position End of Year</i>	<i>\$2,289,391</i>	<i>\$2,816,679</i>	<i>(\$527,288)</i>

Program receipts represent only 20.78 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees, and charges for the sale of cemetery lots and charges to University Hospital – Heather Hill for emergency medical services. During 2012, the Township received a capital grant of \$13,000 from the Fairmount Minerals Foundation to purchase special equipment for rescues involving structural collapse and confined spaces. The Township also received the

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

balance of a \$50,000 grant from the Northeast Ohio Public Energy Council (NOPEC), awarded in 2011, which was used to replace the road department's heating system and to upgrade the lighting at the fire station.

General receipts represent 79.22 percent of the Township's total receipts, and of this amount 79.89 percent are local taxes. State and federal grants and entitlements make up 13.90 percent of the Township's general receipts. Other receipts are very insignificant and are from somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the elected officials and office staff and services provided by the county auditor, treasurer, legal and engineering departments, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works which account for 41.72 and 33.96 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 12.46 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Table 3
Total and Net Cost of Program Services

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
General Government	\$420,848	(\$420,185)	\$427,431	(\$426,711)
Public Safety	1,408,630	(1,077,641)	1,332,699	(941,339)
Public Works	1,146,549	(902,341)	749,324	(386,696)
Health	17,595	(1,559)	13,864	(6,404)
Conservation and Recreation	59,553	(59,553)	52,852	(52,852)
Other	0	0	2,850	22,763
Capital Outlay	323,103	(323,103)	266,016	(266,016)
Total	\$3,376,278	(\$2,784,382)	\$2,845,036	(\$2,057,255)

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The Township's Funds

Information about the Township's governmental funds begins on page 47. All governmental funds had receipts of \$2,846,488 and disbursements of \$3,376,278. The Township's governmental funds reflected a decrease in fund balances of \$527,288 or 18.72 percent.

Budgeting Highlights

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

The most significant budgeted fund is the General Fund. For the general fund, original and final budgeted receipts were \$616,318 and \$795,649, respectively, and actual receipt collections were \$812,738. Original and final appropriations were \$3,014,143 and \$3,140,035, respectively, and actual disbursements were \$1,171,719. Actual disbursements were \$1,968,316 under the final appropriations.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2012, the Township had no outstanding debt.

Current Financial Issues

The Township was granted a \$50,000 grant from NOPEC to be used for energy saving projects. With this grant money, the Township approved two projects which included an upgrade to the fire station lighting in the amount of \$17,760 and new furnaces for the road department in the amount of \$32,240. The Township received \$20,674 of this grant in 2011 and the balance in 2012.

The Township began a major project in 2013 supported by the General Fund for renovation of and an addition to the Munson Town Hall to provide needed office space and storage. The existing community room will be subdivided into offices and a new lobby, public restrooms and a larger community room constructed. This will include excavation of the grounds for drainage and a new parking area. As part of the project, the flat roof over the fire station will be raised and replaced with a peaked roof to solve leaking problems. One million dollars from the General Fund, primarily an accumulation of inheritance tax money, has been assigned to this purpose.

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

Munson Township, Geauga County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Contacting the Township's Finance Department

This financial report is designed to provide our residents, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Judy Toth, Fiscal Officer, Munson Township, 12210 Auburn Road, Chardon, Ohio 44024, or call the Township office 440-286-9255.

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MUNSON TOWNSHIP
GEAUGA COUNTY
Statement of Net Position - Cash Basis
December 31, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,289,391</u>
Net Position	
Restricted for Capital Projects	\$1,406
Restricted for Other Purposes	289,412
Unrestricted	<u>1,998,573</u>
<i>Total Net Position</i>	<u>\$2,289,391</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2012*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$420,848	\$0	\$663	\$0	(\$420,185)
Public Safety	1,408,630	212,490	105,499	13,000	(1,077,641)
Public Works	1,146,549	0	214,768	29,440	(902,341)
Health	17,595	16,036	0	0	(1,559)
Conservation-Recreation	59,553	0	0	0	(59,553)
Capital Outlay	323,103	0	0	0	(323,103)
<i>Total Governmental Activities</i>	<u>\$3,376,278</u>	<u>\$228,526</u>	<u>\$320,930</u>	<u>\$42,440</u>	<u>(2,784,382)</u>
		General Receipts			
		Property Taxes Levied for:			
					385,506
					697,611
					720,085
					313,842
					2,502
					48,577
					53,225
					35,746
					<u>2,257,094</u>
					(527,288)
					<u>2,816,679</u>
					<u>\$2,289,391</u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP
GEAUGA COUNTY
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012

	<u>General</u>	<u>Road and Bridge</u>	<u>Special Fire Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,998,573</u>	<u>\$210,951</u>	<u>\$3,734</u>	<u>\$76,133</u>	<u>\$2,289,391</u>
Fund Balances					
Restricted	\$0	\$210,951	\$3,734	\$76,133	\$290,818
Committed	4,685	0	0	0	4,685
Assigned	1,993,888	0	0	0	1,993,888
<i>Total Fund Balances</i>	<u>\$1,998,573</u>	<u>\$210,951</u>	<u>\$3,734</u>	<u>\$76,133</u>	<u>\$2,289,391</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2012*

	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$385,506	\$697,611	\$720,085	\$0	\$1,803,202
Charges for Services	0	0	0	212,490	212,490
Licenses, Permits and Fees	60,903	0	0	3,710	64,613
Intergovernmental	314,505	100,996	105,499	143,212	664,212
Interest	52,086	0	0	1,139	53,225
Miscellaneous	16,399	7,322	13,000	12,025	48,746
<i>Total Receipts</i>	<u>829,399</u>	<u>805,929</u>	<u>838,584</u>	<u>372,576</u>	<u>2,846,488</u>
Disbursements					
Current:					
General Government	420,848	0	0	0	420,848
Public Safety	375,998	0	826,420	206,212	1,408,630
Public Works	91,437	881,350	0	173,762	1,146,549
Health	6,213	0	0	11,382	17,595
Conservation-Recreation	59,553	0	0	0	59,553
Capital Outlay	242,127	18,883	12,483	49,610	323,103
<i>Total Disbursements</i>	<u>1,196,176</u>	<u>900,233</u>	<u>838,903</u>	<u>440,966</u>	<u>3,376,278</u>
<i>Excess of Receipts Under Disbursements</i>	(366,777)	(94,304)	(319)	(68,390)	(529,790)
Other Financing Sources					
Sale of Capital Assets	0	602	1,900	0	2,502
<i>Net Change in Fund Balances</i>	(366,777)	(93,702)	1,581	(68,390)	(527,288)
<i>Fund Balances Beginning of Year</i>	<u>2,365,350</u>	<u>304,653</u>	<u>2,153</u>	<u>144,523</u>	<u>2,816,679</u>
<i>Fund Balances End of Year</i>	<u>\$1,998,573</u>	<u>\$210,951</u>	<u>\$3,734</u>	<u>\$76,133</u>	<u>\$2,289,391</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$377,416	\$385,506	\$385,506	\$0
Licenses, Permits and Fees	42,000	42,000	48,577	6,577
Intergovernmental	126,102	297,343	314,505	17,162
Interest	60,000	60,000	52,086	(7,914)
Miscellaneous	10,800	10,800	12,064	1,264
<i>Total Receipts</i>	<u>616,318</u>	<u>795,649</u>	<u>812,738</u>	<u>17,089</u>
Disbursements				
Current:				
General Government	484,318	575,140	395,913	179,227
Public Safety	375,295	449,770	376,476	73,294
Public Works	415,000	395,600	91,437	304,163
Health	22,912	22,912	6,213	16,699
Conservation-Recreation	75,000	88,333	59,553	28,780
Capital Outlay	1,641,618	1,608,280	242,127	1,366,153
<i>Total Disbursements</i>	<u>3,014,143</u>	<u>3,140,035</u>	<u>1,171,719</u>	<u>1,968,316</u>
<i>Net Change in Fund Balance</i>	(2,397,825)	(2,344,386)	(358,981)	1,985,405
<i>Fund Balance Beginning of Year</i>	2,318,768	2,318,768	2,318,768	0
Prior Year Encumbrances Appropriated	25,618	25,618	25,618	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$53,439)</u>	<u>\$0</u>	<u>\$1,985,405</u>	<u>\$1,985,405</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property Taxes	\$681,021	\$697,611	\$697,611	\$0
Intergovernmental	91,112	100,996	100,996	0
Miscellaneous	1,897	6,458	7,322	864
<i>Total Receipts</i>	<u>774,030</u>	<u>805,065</u>	<u>805,929</u>	<u>864</u>
Disbursements				
Current:				
Public Works	1,064,286	1,044,238	883,604	160,634
Capital Outlay	32,083	66,083	51,808	14,275
<i>Total Disbursements</i>	<u>1,096,369</u>	<u>1,110,321</u>	<u>935,412</u>	<u>174,909</u>
<i>Excess of Receipts Under Disbursements</i>	(322,339)	(305,256)	(129,483)	175,773
Other Financing Sources				
Sale of Capital Assets	602	602	602	0
<i>Net Change in Fund Balance</i>	(321,737)	(304,654)	(128,881)	175,773
<i>Fund Balance Beginning of Year</i>	287,571	287,571	287,571	0
Prior Year Encumbrances Appropriated	17,083	17,083	17,083	0
<i>Fund Balance (Deficit) End of Year</i>	<u>(\$17,083)</u>	<u>\$0</u>	<u>\$175,773</u>	<u>\$175,773</u>

See accompanying notes to the basic financial statements

**MUNSON TOWNSHIP
GEAUGA COUNTY**

*Statement of Receipts, Disbursements, and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special Fire Levy Fund
For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Receipts				
Property Taxes	\$704,009	\$720,085	\$720,085	\$0
Intergovernmental	94,187	105,499	105,499	0
Miscellaneous	13,000	13,000	13,000	0
<i>Total Receipts</i>	<u>811,196</u>	<u>838,584</u>	<u>838,584</u>	<u>0</u>
Disbursements				
Current:				
Public Safety	800,349	829,637	826,420	3,217
Capital Outlay	0	13,000	12,483	517
<i>Total Disbursements</i>	<u>800,349</u>	<u>842,637</u>	<u>838,903</u>	<u>3,734</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	10,847	(4,053)	(319)	3,734
Other Financing Sources				
Sale of Capital Assets	<u>1,900</u>	<u>1,900</u>	<u>1,900</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	12,747	(2,153)	1,581	3,734
<i>Fund Balance Beginning of Year</i>	<u>2,153</u>	<u>2,153</u>	<u>2,153</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$14,900</u></u>	<u><u>\$0</u></u>	<u><u>\$3,734</u></u>	<u><u>\$3,734</u></u>

See accompanying notes to the basic financial statements

MUNSON TOWNSHIP
GEAUGA COUNTY
Statement of Assets and Net Position - Cash Basis
Agency Fund
December 31, 2012

Assets

Equity in Pooled Cash and Cash Equivalents	<u><u>\$5,080</u></u>
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Net Position

Held on Behalf of Scholarships	<u><u>\$5,080</u></u>
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See accompanying notes to the basic financial statements

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 1 – Reporting Entity

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

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

Primary Government

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

Component Units

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

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

Note 2 – Summary of Significant Accounting Policies

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

Basis of Presentation

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

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

Fund Accounting

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

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

General Fund – This fund is used to account for and report all financial resources, except those required to be accounted for and reported in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road and Bridge Fund – This fund is used to account for and report the receipt of real estate tax 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 tax and homestead and rollback restricted for the costs of operating the fire department.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Cash and Investments

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

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

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

During 2012, the Township invested in government national mortgage association bonds. Investments are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2012 was \$52,086 which includes \$5,623 assigned from other Township funds.

Inventory and Prepaid Items

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

Capital Assets

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for road

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

and bridge and fire operating and apparatus. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the Township Trustees. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. State statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Township Trustees assigned fund balance to cover a gap between estimated revenue and appropriations in the 2013 appropriated budget.

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

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 3 – Change in Accounting Principle

For fiscal year 2012, the Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.”

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Township’s financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and major special revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis are that:

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

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

	Net Change in Fund Balance		
	General	Road and Bridge	Special Levy Fire
Cash Basis	(\$366,777)	(\$93,702)	\$1,581
Perspective Difference:			
Zoning	13,947	0	0
Adjustment for Encumbrances	(6,151)	(35,179)	0
Budget Basis	<u>(\$358,981)</u>	<u>(\$128,881)</u>	<u>\$1,581</u>

Note 5 - Compliance

The general fund and road and bridge special revenue fund had original appropriations in excess of estimated resources plus available balances, in the amount of \$53,439 and \$17,083, respectively, for the year ended December 31, 2012. These violations were corrected by year end.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 6 - Fund Balances

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

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

Fund Balances	General	Road and Bridge	Special Fire Levy	Other Governmental Funds	Total
<i>Restricted for</i>					
Road and Bridge Maintenance	\$0	\$210,951	\$0	\$48,543	\$259,494
Fire Department	0	0	3,734	0	3,734
Emergency Medical Services	0	0	0	18,554	18,554
Cemetery	0	0	0	7,630	7,630
Energy Improvements	0	0	0	1,406	1,406
<i>Total Restricted</i>	<u>0</u>	<u>210,951</u>	<u>3,734</u>	<u>76,133</u>	<u>290,818</u>
<i>Committed to</i>					
Purchase on order	4,685	0	0	0	4,685
<i>Assigned to</i>					
Zoning	7,017	0	0	0	7,017
Town Hall Renovations	1,000,000	0	0	0	1,000,000
Year 2013 Appropriations	986,871	0	0	0	986,871
<i>Total Assigned</i>	<u>1,993,888</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,993,888</u>
Total Fund Balances	<u>\$1,998,573</u>	<u>\$210,951</u>	<u>\$3,734</u>	<u>\$76,133</u>	<u>\$2,289,391</u>

Note 7 – Deposits and Investments

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

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

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

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

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

Deposits 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, \$1,695,284 of the Township's bank balance of \$1,970,367 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

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

As of December 31, 2012, the Township had \$465,302 in Governmental National Mortgage Association Bonds.

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

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

Note 8 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax receipts received during 2012 for real and public utility property taxes represent collections of 2011 taxes.

2012 real property taxes are levied after October 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2012 real property taxes are collected in and intended to finance 2013 operations.

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

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2012 public utility property taxes which became a lien December 31, 2011 are levied after October 1, 2012, and are collected in 2013 with real property taxes.

The full tax rate for all Township operations for the year ended December 31, 2012, was \$12.25 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2012 property tax receipts were based are as follows:

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Real Property	
Residential/Agricultural	\$199,979,420
Other	13,788,800
Personal Property	
Public Utility	<u>4,552,140</u>
Total Assessed Value	<u><u>\$218,320,360</u></u>

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

Note 9 – 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

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

Casualty Coverage

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

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

Property Coverage

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

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	2012	2011
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Assets	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, casualty coverage liabilities noted above include approximately \$7.9 million and \$8.6 million of estimated incurred claims payable. The casualty coverage assets and retained earnings above also include approximately \$7.9 million and \$8.6 million of unpaid claims to be billed to approximately 944 and 938 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectable in future years is approximately \$25,719. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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 Townships contributions to OTARMA for the past three years are as follows:

Year	Contribution
2012	\$27,787
2011	28,251
2010	24,459

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the Township by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating townships is calculated as one experience and a common premium rate is applied to all townships in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund."

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

Note 10 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability and survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

financial report. Interested parties may obtain a copy by visiting the OPERS website at <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll. Member contribution rates, as set in the Ohio Revised Code, are not to exceed 10 percent. For the year ended December 31, 2012, members in state and local divisions contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2012, member and employer contribution rates were consistent across all three plans.

The Township's 2012 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2012, 2011, and 2010 were \$44,220, \$52,459 and \$44,899, respectively. For 2012, 81.05 percent has been contributed. The full amount has been contributed for 2011 and 2010. There were no Township employees enrolled in the Member-Directed Plan for 2012.

Note 11 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0 percent of covered payroll. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 for calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1 percent for both plans, as recommended by the OPERS Actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2012, 2011 and 2010, were \$24,567, \$22,229 and \$25,596, respectively. For 2012, 81.05 percent has been contributed. The full amount has been contributed for 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Munson Township, Geauga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

Note 13 – Encumbrances

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

General	\$6,151
Road and Bridge	35,179
Other Governmental Funds	<u>1,523</u>
	<u><u>\$42,853</u></u>

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Dave Yost • Auditor of State

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

Munson Township
Geauga County
12210 Auburn Road
Chardon, Ohio 44024

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Munson Township, Geauga County, Ohio, (the Township) as of and for the years ended December 31, 2013 and 2012, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 9, 2014, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801
Phone: 216-787-3665 or 800-626-2297 Fax: 216-787-3361
www.auditor.state.oh.us

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2014



Dave Yost • Auditor of State

MUNSON TOWNSHIP

LAKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 23, 2014**