



Dave Yost • Auditor of State



RUSSELL TOWNSHIP  
GEAUGA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2017 .....	5
Notes to the Financial Statements For the Year Ended December 31, 2017 .....	7
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) All Governmental Fund Types For the Year Ended December 31, 2016 .....	21
Notes to the Financial Statements For the Year Ended December 31, 2016 .....	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	37
Schedule of Findings.....	39

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Russell Township  
Geauga County  
8501 Kinsman Road  
Novelty, Ohio 44072

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Russell Township, Geauga County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016.

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

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

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

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

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

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

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

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

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

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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Russell Township, Geauga County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

October 22, 2018

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**Russell Township**  
*Geauga County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$451,070	\$4,060,146	\$230,216	\$4,741,432
Licenses, Permits and Fees	73,478	90,960		164,438
Fines and Forfeitures	4,425			4,425
Intergovernmental	131,854	541,939	27,245	701,038
Earnings on Investments	22,672	1,167		23,839
Miscellaneous	76,018	153,363	1,433	230,814
<i>Total Cash Receipts</i>	<u>759,517</u>	<u>4,847,575</u>	<u>258,894</u>	<u>5,865,986</u>
<b>Cash Disbursements</b>				
Current:				
General Government	600,404			600,404
Public Safety	990	2,372,145	3,007	2,376,142
Public Works	9,030	928,777		937,807
Health	7,519	7,785		15,304
Capital Outlay	12,010	772,980		784,990
Debt Service:				
Principal Retirement			199,847	199,847
Interest and Fiscal Charges			36,445	36,445
<i>Total Cash Disbursements</i>	<u>629,953</u>	<u>4,081,687</u>	<u>239,299</u>	<u>4,950,939</u>
<i>Excess of Receipts Over Disbursements</i>	<u>129,564</u>	<u>765,888</u>	<u>19,595</u>	<u>915,047</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	1,029	7,659		8,688
<i>Net Change in Fund Cash Balances</i>	130,593	773,547	19,595	923,735
<i>Fund Cash Balances, January 1</i>	<u>1,351,508</u>	<u>2,427,272</u>	<u>409,007</u>	<u>4,187,787</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		3,200,819	428,602	3,629,421
Assigned	675,042			675,042
Unassigned	807,059			807,059
<i>Fund Cash Balances, December 31</i>	<u>\$1,482,101</u>	<u>\$3,200,819</u>	<u>\$428,602</u>	<u>\$5,111,522</u>

*See accompanying notes to the basic financial statements*

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**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Russell Township, Geauga County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township also has a publicly elected Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services, and police protection.

The Township's Police Department is represented by two bargaining units through the Ohio Patrolmen's Benevolent Association. These two units consist of a two member (full time) Sergeant's Unit and a 13 member (nine full time, four part time) Patrol Officer Unit. Both Unit's contract term run three years and expires on December 31, 2017.

***Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in two public entity risk pools; the Ohio Township Association Risk Management Authority (OTARMA), a public entity casualty and property insurance risk pool and the Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC), a public entity healthcare provider.

In addition, the Township participates in six jointly governed organizations, the West Geauga Joint Recreation District (the District), the Northeast Ohio Public Energy Council (NOPEC), the Valley Enforcement Regional Council of Governments (VERCOG), the Chagrin/Southeast Council of Governments (the Council), the Ohio Township Association (OTA), and the Geauga County Township Association (GCTA).

Note 6 to the financial statement provides additional information for OTARMA and OPEC-HC. Note 12 to the financial statement provides additional information for the jointly governed organizations, and Note 13 provides additional information for the Russell Township Citizen's 511 Park District, a related organization.

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

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

***Basis of Presentation***

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

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Fund Accounting***

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

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

***2181 Zoning Fund*** - The zoning fund accounts for and reports the collection of fee and permit revenue for the Township and the payment of equipment, services, supplies, for zoning work and permanent or part time zoning employees. Consistent with the requirements of Governmental Accounting Standards Board Statement No. 54, this fund is reported within the General Fund.

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

***2021 Gas Tax Fund*** - The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***2011 Motor Vehicle License Tax Fund*** - The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***2031 Road and Bridge Fund*** - The road and bridge fund receives property tax levy money for the purpose of constructing, maintaining, and repairing roads and bridges within the Township.

***2141 Road District Fund*** - The road district fund receives property tax levy money for the purpose of constructing, maintaining, and repairing roads and bridges within the Township.

***2041 Cemetery Fund*** - The cemetery receives revenue from the sale of cemetery plots and burial fees for the purpose of constructing, maintaining, and repairing cemeteries within the Township and the payment of permanent or part time cemetery employees.

***2081 Police District Fund*** - The police district fund receives property tax levy money for the purpose of providing and maintaining police apparatus, equipment, facilities, or the payment of permanent or part time police officers deemed to benefit the residents of the Township.

***2271 Enforcement & Education Fund*** - The enforcement and education fund receives revenue from law enforcement seized or confiscated property and accounts for the expenditure of police protection apparatus, equipment, facilities, supplies, or services deemed to benefit the residents of the Township.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

**2111 Fire District Fund** - The fire district fund receives property tax levy money for the purpose of providing and maintaining fire apparatus, equipment, facilities, sources of water supply and materials, or the payment of permanent, part time, or volunteer firemen, emergency medical technicians, or paramedics or to provide ambulance or emergency medical services to benefit the residents of the Township.

**2281 Fire & Rescue, Ambulance & EMS Services Fund** - The fire and rescue, ambulance and EMS services fund receives revenue from fees associated with ambulance transportation as collected from individuals or insurance companies and accounts for the expenditure of revenue for the purpose of providing and maintaining fire apparatus, equipment, facilities, sources of water supply and materials, or the payment of permanent, part time, or volunteer firemen, emergency medical technicians, or paramedics or to provide ambulance or emergency medical services to benefit the residents of the Township.

**2901 Police Officer Training Grant Fund** - The police officer training fund periodically receives grants for the purpose of police training activities and initiatives of benefit to the residents of the Township.

**Debt Service Funds** - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following Debt Service Fund:

**3101 General Bond/Note Retirement Fund** - The debt service general bond/note retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the construction of the Township fire station deemed to benefit the properties against which special assessments are levied.

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

**3902 (OPWC) Debt Service Fund** - The (OPWC) debt service fund provides for the collection for and servicing of an anticipation note for road resurfacing capital improvements.

**3903 Debt Service OPW Loan Fund** - The debt service OPW loan fund provides for the collection for and servicing of an OPWC zero interest road resurfacing capital improvements.

**4401 Public Works Commission Project Fund** - The Township periodically receives grants from the state public works commission for capital improvements of roads. This account was established to account for revenue and expenditures from an Ohio Public Works Commission (OPWC) grant.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

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

The Township's investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values in the State Treasurer reports.

***Capital Assets***

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

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

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

**Russell Township  
Geauga County**

*Notes to the Financial Statements  
For the Year Ended December 31, 2017*

**Note 3 – Budgetary Activity**

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

<b>2017 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$696,971	\$760,546	\$63,575
Special Revenue	4,638,837	4,855,234	216,397
Debt Service	253,176	258,894	5,718
Total	\$5,588,984	\$5,874,674	\$285,690

<b>2017 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,017,223	\$793,639	\$223,584
Special Revenue	5,182,963	4,279,808	903,155
Debt Service	252,347	239,299	13,048
Total	\$6,452,533	\$5,312,746	\$1,139,787

**Note 4 – Deposits and Investments**

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

<b>Deposits and Investments</b>	<b>2017</b>
Demand deposits	\$4,704,158
Certificates of deposit	399,466
Total deposits	5,103,624
Investments:	
STAR Ohio	5,129
Total deposits and investments	\$5,108,753

**Deposits** - Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township or collateralized through the Ohio Pooled Collateral System (OPCS).

**Certificate of Deposits (CD)** - The Township purchased a 60 Month Certificate of Deposit (CD) through Middlefield Bank on June 4, 2015 in the amount of \$380,000. The CD pays 2.0% interest annually and matures on June 4, 2020.

**Investments** - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.



**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 5 – Property Taxes**

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

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

**Note 6 - Risk Management**

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

	<u>2017</u>
Assets	\$40,010,732
Liabilities	<u>8,675,465</u>
Net Position	<u>\$31,335,267</u>

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management – (Continued)**

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

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

**2017 Contributions to OTARMA**  
\$34,142

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

***Risk Pool Membership and Self-Insurance***

The Township provides a limited medical, surgical, and prescription drug program for its full time employees through a public entity shared risk pool. The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) contracts with the Jefferson Health Plan (JHP), formerly known as Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), for claims servicing. Contributions are paid by the Township to OPEC-HC. JHP contracts with Third Party Administrators to service the claims of OPEC-HC members. OPEC-HC covers claims up to \$150,000 per individual. Plan participants also participate in a shared risk internal pool for individual claims between \$150,000 and \$1,500,000. The Township also has a stop loss insurance policy through JHP, which covers individual claims in excess of \$1,500,000 per employee per year for medical claims.

OPEC-HC is a public entity shared risk pool. OPEC-HC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. OPEC-HC contracts with the JHP (formerly OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool comprised of 157 members. OPEC-HC's business and affairs are conducted by a five member Board of Directors elected from the assembly. OPEC-HC offers medical, and prescription drug coverage to the members.

The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) is a joint self insurance cooperative as provided for in O.R.C. 9.833. It allows entities to come together to procure benefits and enjoy the advantages of cooperative purchasing. No entities claims are allocated individually, but rather risk and reward is spread across entire cooperative.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 - Risk Management – (Continued)**

All OPEC-HC participants pay a monthly administration fee for fiscal services and third party administrative services.

The Jefferson Health Plan and OPEC-HC Financial Statement for year ending June 30, 2017 are:

<u><b>OPEC-HC</b></u>	<u><b>6/30/2017</b></u> <u><b>(latest information)</b></u>
Assets	(\$11,979,795)
Liabilities	<u>13,058,891</u>
Net Position	<u><u>(\$25,038,686)</u></u>

At June 30, 2017, the liabilities above include approximately \$250.7 million of paid claims for the reporting period. Unpaid claims are estimated to be between \$4.6 million and \$7.5 million (\$6.1 million is the Intermediate).

The Township's contributions to OPEC-HC are as follows:

<u><b>Contributions to OPEC-HC</b></u>	
<u><b>2017</b></u>	<u><b>2016</b></u>
\$439,059	\$477,274

In the event that the Township would withdraw from the plan, the Township would be required to provide a 180 day notice prior to the end of their three year contract and be responsible for any current payments due as well as the Township's share of any reserve deficit. To obtain information for OPEC-HC, write to the fiscal agent, Jefferson Health Plan, 2023 Sunset Boulevard, Stuebenville, Ohio 43952.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System (OPERS)***

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

The Ohio Revised Code also prescribes contribution rates. Non full time police officer OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. Full time police officer OPERS members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***Social Security***

Some Township employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

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

**Note 8 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 9 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$835,000	3.7%
OPWC Loans	149,541	0.0%
Total	<u>\$984,541</u>	

The general obligation bonds were issued in 2002 at an interest rate of 1.5% to 4.85% to finance the purchase of a new fire station. The issuance included \$99,999 in capital appreciation bonds. The bonds are for twenty years maturing in 2022. The bond was refunded on October 9, 2012 at an interest rate of 3.7%.

In 2010, the Township entered into a 10 year no-interest bearing loan, maturing in 2021, from the Ohio Public Works Commission (OPWC) in the amount of \$498,471 for the reconstruction of Township roads.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 9 – Debt**

***Amortization***

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

Year ending December 31:	<b>General Obligation</b>	<b>OPWC Loan</b>
	<b>Bonds</b>	<b>OPWC Loan</b>
2018	\$185,895	\$49,847
2019	185,160	49,847
2020	184,240	49,847
2021	188,135	
2022	186,660	
Total	\$930,090	\$149,541

**Note 10 – Construction and Contractual Commitments**

The Township has executed Memorandums of Understanding with the Village of Hunting Valley and the Geauga County Engineer to reconstruct County Line Road, whose centerline separates the Township from Hunting Valley. The reconstruction project is expected to be performed during 2018 and 2019 and constitutes approximately 3.1 miles of shared roadway.

**Note 11 – Contingent Liabilities**

The Township is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor 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 - Jointly Governed Organizations**

***Northeast Ohio Public Energy Council (NOPEC)***

The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 12 - Jointly Governed Organizations – (Continued)**

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Township did not contribute to NOPEC during 2017. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Solon, Ohio 44139.

***West Geauga Joint Recreation District (the District)***

The Township is a member of the West Geauga Joint Recreation District (the District). The District is formed under Ohio Revised Code 755.14. The District was formed to promote and provide joint recreation programs and to acquire and develop land to meet the recreational needs of the West Geauga Community.

The District is comprised of the Township, Chester Township and the West Geauga Local School District. The District is directed by a nine member Board of Trustees, of which three members are appointed by the Township. The Township did not contribute to the District during 2017. Financial information can be obtained by contacting the West Geauga Joint Recreation District, P.O. Box 384, Chesterland, Ohio 44026.

***Valley Enforcement Regional Council of Governments (VERCOG)***

The Township is a member of the Valley Enforcement Regional Council of Governments (VERCOG) during 2016, a jointly governed organization. VERCOG is a regional council of government formed under Chapter 167 of the Ohio Revised Code and Article XVIII, Section 3 of the Ohio Constitution. The Council is comprised of 15 communities and was formed to foster cooperation among political subdivisions through the sharing of facilities for their common benefit. This includes the formal supervision and control of the “Valley Enforcement Group” (VEG).

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and Secretary and other officers elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. The Council also acquires and owns police equipment and other property, to be utilized by all participating members. The Council sets the budget of the VEG upon the recommendation of the VEG Board of Trustees.

The VEG, a 501c(6) organization, is administered by a Board of Trustees composed of the Chief of Police, or acting Chief of Police, of the political subdivisions that formed the Council. The VEG has been designated as an agency of the Council, providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2017, the Township contributed \$7,000 to VERCOG. Financial information for VERCOG can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 12 - Jointly Governed Organizations – (Continued)**

***Chagrin/Southeast Council of Governments (the Council)***

The Township is a member of the Chagrin/Southeast Council of Governments (the Council). The Council operates the Chagrin/Southeast HazMat Response Team (the Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Council has established two subsidiary organizations; the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team. During 2017, the Township contributed \$3,500 to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

***Ohio Township Association (OTA)***

The Ohio Township Association (OTA) is a statewide organization dedicated to promoting and preserving township government, through lobbying efforts and educational forums. The Association was founded on June 28, 1928, and is organized in 87 counties. The OTA has more than 5,200 active members, made up of trustees and fiscal officers from Ohio's 1,308 townships, and more than 4,000 associate members.

The Geauga County Township Association (GCTA) is a local affiliate of the Ohio Township Association (OTA) and was founded in November 1929. The GCTA's membership is made up of 64 elected Trustees and Fiscal Officers, serving 16 Geauga County townships as well as almost 100 associate members from businesses, organizations, county government, judicial, and educational facilities. The GCTA meets quarterly to identify, discuss and solve community and local government issues for the betterment of its constituents. During 2017, the Township contributed \$720 to GCTA in dues and meeting expenses. Financial information for GCTA can be obtained by contacting the Treasurer GCTA, c/o Russell Township, P.O. Box 522, Novelty, Ohio 44072.

**Note 13 – Related Organizations**

The Township was petitioned, placed on the November 2017 ballot, and formed The Russell Township Citizen's 511 Park Commission, a Park District created pursuant to O.R.C. 511. This District's commissioners are appointed by the Township's Board of Trustees; however, as of December 31, 2017 there were no initial appointments.

While being formed, a temporary three (3) person commission was appointed by the Township Board of Trustees made up of residents of the Township. The temporary commissioners' terms expired upon the ballot passage of the O.R.C. 511 language.

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**Russell Township**  
*Geauga County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$431,162	\$3,189,185	\$226,650	\$3,846,997
Licenses, Permits and Fees	68,752	93,454		162,206
Fines and Forfeitures	2,553			2,553
Intergovernmental	147,319	519,351	27,349	694,019
Earnings on Investments	20,798	849		21,647
Miscellaneous	60,955	123,713	1,433	186,101
<i>Total Cash Receipts</i>	<u>731,539</u>	<u>3,926,552</u>	<u>255,432</u>	<u>4,913,523</u>
<b>Cash Disbursements</b>				
Current:				
General Government	626,366			626,366
Public Safety	3,759	2,278,183	3,056	2,284,998
Public Works	23,386	942,094		965,480
Health	5,037	10,770		15,807
Capital Outlay	21,608	580,602		602,210
Debt Service:				
Principal Retirement			194,847	194,847
Interest and Fiscal Charges			41,810	41,810
<i>Total Cash Disbursements</i>	<u>680,156</u>	<u>3,811,649</u>	<u>239,713</u>	<u>4,731,518</u>
<i>Excess of Receipts Over Disbursements</i>	<u>51,383</u>	<u>114,903</u>	<u>15,719</u>	<u>182,005</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	3,150	7,426		10,576
<i>Net Change in Fund Cash Balances</i>	54,533	122,329	15,719	192,581
<i>Fund Cash Balances, January 1</i>	<u>1,296,975</u>	<u>2,304,943</u>	<u>393,288</u>	<u>3,995,206</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		2,427,272	409,007	2,836,279
Assigned	484,287			484,287
Unassigned (Deficit)	867,221			867,221
<i>Fund Cash Balances, December 31</i>	<u>\$1,351,508</u>	<u>\$2,427,272</u>	<u>\$409,007</u>	<u>\$4,187,787</u>

*See accompanying notes to the basic financial statements*

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**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Russell Township, Geauga County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township also has a publicly elected Fiscal Officer. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services, and police protection.

The Township's Police Department is represented by two bargaining units through the Ohio Patrolmen's Benevolent Association. These two units consist of a two member (full time) Sergeant's Unit and an eight member (six full time, two part time) Patrol Officer Unit. Both Unit's contract term runs three years and expires on December 31, 2017.

***Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in two public entity risk pools; the Ohio Township Association Risk Management Authority (OTARMA), a public entity casualty and property insurance risk pool and the Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC), a public entity healthcare provider.

In addition, the Township participates in six jointly governed organizations, the West Geauga Joint Recreation District (the District), the Northeast Ohio Public Energy Council (NOPEC), the Valley Enforcement Regional Council of Governments (VERCOG), the Chagrin/Southeast Council of Governments (the Council), the Ohio Township Association (OTA), and the Geauga County Township Association (GCTA).

Note 6 to the financial statement provides additional information for OTARMA and OPEC-HC. Note 1 to the financial statement provides additional information for the jointly governed organizations.

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

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

***Basis of Presentation***

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

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***Fund Accounting***

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

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

***2181 Zoning Fund*** - The zoning fund accounts for and reports the collection of fee and permit revenue for the Township and the payment of equipment, services, supplies, for zoning work and permanent or part time zoning employees. Consistent with the requirements of Governmental Accounting Standards Board Statement No. 54, this fund is reported within the General Fund.

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

***2021 Gas Tax Fund*** - The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***2011 Motor Vehicle License Tax Fund*** - The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

***2031 Road and Bridge Fund*** - The road and bridge fund receives property tax levy money for the purpose of constructing, maintaining, and repairing roads and bridges within the Township.

***2141 Road District Fund*** - The road district fund receives property tax levy money for the purpose of constructing, maintaining, and repairing roads and bridges within the Township.

***2041 Cemetery Fund*** - The cemetery receives revenue from the sale of cemetery plots and burial fees for the purpose of constructing, maintaining, and repairing cemeteries within the Township and the payment of permanent or part time cemetery employees.

***2081 Police District Fund*** - The police district fund receives property tax levy money for the purpose of providing and maintaining police apparatus, equipment, facilities, or the payment of permanent or part time police officers deemed to benefit the residents of the Township.

***2271 Enforcement & Education Fund*** - The enforcement and education fund receives revenue from law enforcement seized or confiscated property and accounts for the expenditure of police protection apparatus, equipment, facilities, supplies, or services deemed to benefit the residents of the Township.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

**2111 Fire District Fund** - The fire district fund receives property tax levy money for the purpose of providing and maintaining fire apparatus, equipment, facilities, sources of water supply and materials, or the payment of permanent, part time, or volunteer firemen, emergency medical technicians, or paramedics or to provide ambulance or emergency medical services to benefit the residents of the Township.

**2281 Fire & Rescue, Ambulance & EMS Services Fund** - The fire and rescue, ambulance and EMS services fund receives revenue from fees associated with ambulance transportation as collected from individuals or insurance companies and accounts for the expenditure of revenue for the purpose of providing and maintaining fire apparatus, equipment, facilities, sources of water supply and materials, or the payment of permanent, part time, or volunteer firemen, emergency medical technicians, or paramedics or to provide ambulance or emergency medical services to benefit the residents of the Township.

**Debt Service Funds** - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following Debt Service Fund:

**3101 General Bond/Note Retirement Fund** - The debt service general bond/note retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance the construction of the Township fire station deemed to benefit the properties against which special assessments are levied.

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

**3902 (OPWC) Debt Service Fund** - The (OPWC) debt service fund provides for the collection for and servicing of an anticipation note for road resurfacing capital improvements.

**3903 Debt Service OPW Loan Fund** - The debt service OPW loan fund provides for the collection for and servicing of an OPWC zero interest road resurfacing capital improvements.

**4401 Public Works Commission Project Fund** - The Township periodically receives grants from the state public works commission for capital improvements of roads. This account was established to account for revenue and expenditures from an Ohio Public Works Commission (OPWC) grant.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

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

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

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

The Township's investment in STAR Ohio (the State Treasurer's investment pool) is recorded at share values in the State Treasurer reports.

***Capital Assets***

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

**Russell Township  
Geauga County**

*Notes to the Financial Statements  
For the Year Ended December 31, 2016*

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***Accumulated Leave***

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

***Fund Balance***

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

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

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

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

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

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

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

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 – Budgetary Activity**

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

<b>2016 Budgeted vs. Actual Receipts</b>			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$681,368	\$734,689	\$53,321
Special Revenue	3,817,157	3,933,978	116,821
Debt Service	252,486	255,432	2,946
Total	\$4,751,011	\$4,924,099	\$173,088

<b>2016 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$998,952	\$861,848	\$137,104
Special Revenue	4,728,354	3,921,744	806,610
Debt Service	251,387	239,173	12,214
Total	\$5,978,693	\$5,022,765	\$955,928

**Note 4 – Deposits and Investments**

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

<b>Deposits and Investments</b>	<b>2016</b>
Demand deposits	\$3,791,137
Certificates of deposit	391,575
Total deposits	4,182,712
Investments:	
STAR Ohio	5,075
Total deposits and investments	\$4,187,787

**Deposits** - Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township or collateralized by the financial institution’s public entity deposit pool.

**Certificate of Deposits (CD)** - The Township purchased a 60 Month Certificate of Deposit (CD) through Middlefield Bank on June 4, 2015 in the amount of \$380,000. The CD pays 2.0% interest annually and matures on June 4, 2020.

**Investments** - Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.



**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 – Property Taxes**

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

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

**Note 6 - Risk Management**

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

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

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 - Risk Management – (Continued)**

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$15,000

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

**2016 Contributions to OTARMA**  
\$32,993

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

***Risk Pool Membership and Self-Insurance***

The Township provides a limited medical, surgical, and prescription drug program for its full time employees through a public entity shared risk pool. The Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC) contracts with the Jefferson Health Plan (JHP), formerly known as Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), for claims servicing. Contributions are paid by the Township to OPEC-HC. JHP contracts with Third Party Administrators to service the claims of OPEC-HC members. OPEC-HC covers claims up to \$150,000 per individual. Plan participants also participate in a shared risk internal pool for individual claims between \$150,000 and \$1,500,000. The Township also has a stop loss insurance policy through JHP, which covers individual claims in excess of \$1,500,000 per employee per year for medical claims.

OPEC-HC is a public entity shared risk pool. OPEC-HC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. Each participant appoints a member of the insurance plan's assembly. The JHP serves as the fiscal agent for OPEC-HC. OPEC-HC contracts with the JHP (formerly OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool comprised of 157 members. OPEC-HC's business and affairs are conducted by a five member Board of Directors elected from the assembly. OPEC-HC offers medical and prescription drug coverage to the members.

OPEC-HC is a joint self insured cooperative as provided for in O.R.C. 9.833. It allows entities to come together to procure benefits and enjoy the advantages of cooperative purchasing. No entities claims are allocated individually, but rather risk and reward is spread across the entire cooperative.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 - Risk Management – (Continued)**

All OPEC-HC participants pay a monthly administration fee for fiscal services and third party administrative services.

The JHP and OPEC-HC financial statement for year ending June 30, 2016 are:

<u>OPEC-HC</u>	<u>6/30/2016</u>
Assets	(\$4,884,792)
Liabilities	<u>11,217,482</u>
Net Position	<u>(\$16,103,274)</u>

At June 30, 2016, the liabilities above include approximately \$40.6 million of paid claims for the reporting period. Unpaid claims are estimated to be between \$4 million and \$6.5 million.

The Township's contributions to OPEC-HC are as follows:

<u>Contributions to OPEC-HC</u>	
<u>2016</u>	<u>2015</u>
\$477,274	\$434,148

In the event that the Township would withdraw from the plan, the Township would be required to provide a 180 day notice prior to the end of their three year contract and be responsible for any current payments due as well as the Township's share of any reserve deficit. To obtain information for OPEC-HC, write to the fiscal agent, Jefferson Health Plan, 2023 Sunset Boulevard, Stuebenville, Ohio 43952.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System (OPERS)***

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

The Ohio Revised Code also prescribes contribution rates. Non full time police officer OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. Full time police officer OPERS members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.1% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Russell Township**  
**Geauga County**

*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***Social Security***

Some Township’s employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 8 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits during calendar year 2016.

**Note 9 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$985,000	3.7%
OPWC Loans	199,388	0.0%
Total	<u>\$1,184,388</u>	

The general obligation bonds were issued in 2002 at an interest rate of 1.5% to 4.85% to finance the purchase of a new fire station. The issuance included \$99,999 in capital appreciation bonds. The bonds are for twenty years maturing in 2022. The bond was refunded on October 9, 2012 at an interest rate of 3.7%.

In 2010, the Township entered into a 10 year no-interest bearing loan, maturing in 2021, from the Ohio Public Works Commission (OPWC) in the amount of \$498,471 for the reconstruction of Township roads.

**Russell Township  
Geauga County**

*Notes to the Financial Statements  
For the Year Ended December 31, 2016*

**Note 9 – Debt – (Continued)**

***Amortization***

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

Year ending December 31:	<b>General Obligation</b>	
	<b>Bonds</b>	<b>OPWC Loan</b>
2017	\$186,445	\$49,847
2018	185,895	49,847
2019	185,160	49,847
2020	184,240	49,847
2021	188,135	
2022	186,660	
Total	\$1,116,535	\$199,388

**Note 10 – Contingent Liabilities**

The Township is a defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township’s financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor 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 11 - Jointly Governed Organizations**

***Northeast Ohio Public Energy Council (NOPEC)***

The Township is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county elect one person to serve on the eight member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The Township did not contribute to NOPEC during 2016. Financial information can be obtained by contacting NOPEC, 31360 Solon Road, Solon, Ohio 44139.

**Russell Township  
Geauga County**

*Notes to the Financial Statements  
For the Year Ended December 31, 2016*

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**Note 11 - Jointly Governed Organizations – (Continued)**

***West Geauga Joint Recreation District (the District)***

The Township is a member of the West Geauga Joint Recreation District (the District). The District is formed under Ohio Revised Code 755.14. The District was formed to promote and provide joint recreation programs and to acquire and develop land to meet the recreational needs of the West Geauga Community.

The District is comprised of the Township, Chester Township and the West Geauga Local School District. The District is directed by a nine member Board of Trustees, of which three members are appointed by the Township. The Township did not contribute to the District during 2016. Financial information can be obtained by contacting the West Geauga Joint Recreation District, P.O. Box 384, Chesterland, Ohio 44026.

***Valley Enforcement Regional Council of Governments (VERCOG)***

The Township is a member of the Valley Enforcement Regional Council of Governments (VERCOG) during 2016, a jointly governed organization. VERCOG is a regional council of government formed under Chapter 167 of the Ohio Revised Code and Article XVIII, Section 3 of the Ohio Constitution. The Council is comprised of 15 communities and was formed to foster cooperation among political subdivisions through the sharing of facilities for their common benefit. This includes the formal supervision and control of the “Valley Enforcement Group” (VEG). The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and Secretary and other officers elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. The Council also acquires and owns police equipment and other property, to be utilized by all participating members. The Council sets the budget of the VEG upon the recommendation of the VEG Board of Trustees.

The VEG, a 501c(6) organization, is administered by a Board of Trustees composed of the Chief of Police, or acting Chief of Police, of the political subdivisions that formed the Council. The VEG has been designated as an agency of the Council, providing the mutual interchange and sharing of police personnel and police equipment. VERCOG is authorized to acquire and own police equipment and other property, to be used by all participating members, and may do any other thing permitted by law to accomplish its general purposes. During 2016, the Township contributed \$7,000 to VERCOG. Financial information for VERCOG can be obtained by contacting the City of Pepper Pike, 28000 Shaker Blvd., Pepper Pike, Ohio 44124.

**Russell Township  
Geauga County**

*Notes to the Financial Statements  
For the Year Ended December 31, 2016*

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**Note 11 - Jointly Governed Organizations – (Continued)**

***Chagrin/Southeast Council of Governments (the Council)***

The Township is a member of the Chagrin/Southeast Council of Governments (the Council). The Council operates the Chagrin/Southeast HazMat Response Team (the Team). The Team was formed in 1990 to assist local fire departments in responding to incidents involving industrial chemicals. The Council has established two subsidiary organizations; the West Shore Hazardous Materials Committee which provides hazardous material protection and assistance, and the West Shore Enforcement Bureau which provides extra assistance to cities in the form of a SWAT Team. During 2016, the Township contributed \$3,500 to the Council. Financial information can be obtained by contacting the Village of Glenwillow, 29555 Pettibone Road, Glenwillow, Ohio 44139.

***Ohio Township Association (OTA)***

The Ohio Township Association (OTA) is a statewide organization dedicated to promoting and preserving township government, through lobbying efforts and educational forums. The Association was founded on June 28, 1928, and is organized in 87 counties. The OTA has more than 5,200 active members, made up of trustees and fiscal officers from Ohio's 1,308 townships, and more than 4,000 associate members. The Geauga County Township Association (GCTA) is a local affiliate of the Ohio Township Association (OTA) and was founded in November 1929. The GCTA's membership is made up of 64 elected Trustees and Fiscal Officers, serving 16 Geauga County townships as well as almost 100 associate members from businesses, organizations, county government, judicial, and educational facilities. The GCTA meets quarterly to identify, discuss and solve community and local government issues for the betterment of its constituents. During 2016, the Township contributed \$445 to GCTA in dues and meeting expenses. Financial information for GCTA can be obtained by contacting the Treasurer GCTA, c/o Russell Township, P.O. Box 522, Novelty, Ohio 44072.

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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*

Russell Township  
Geauga County  
8501 Kinsman Road  
Novelty, Ohio 44072

To the Board Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Russell Township, Geauga County, Ohio (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 22, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

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

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

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

***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*.

***Township's Response to Finding***

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

***Purpose of this Report***

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



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

October 22, 2018

**RUSSELL TOWNSHIP  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

**FINDING NUMBER 2017-001**

**Material Weakness - Financial Statement Adjustments**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. **Governmental Accounting Standards Board (GASB) Statement No. 54–Fund Balance Reporting and Governmental Fund Type Definitions** introduced five fund balance classifications and clarified the existing governmental fund type definitions. These classifications were (1) nonspendable, (2) restricted, (3) committed, (4) assigned and, (5) unassigned. Additionally, Statement 54 ¶15 indicated when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. **Auditor of State Bulletin 2011-004** provides additional guidance on GASB Statement 54 classification for Ohio governments.

The following errors were identified in the 2017 financial statements:

- General Fund assigned fund balance was understated \$675,042 due to encumbrances and the excess of subsequent year appropriations over estimated receipts not being assigned. Additionally, property and other local taxes, beginning cash fund balance, and unassigned fund balance was overstated \$104,093, \$31,900, and \$811,035, respectively, due to the recording of a property tax settlement in an incorrect fund and the net effect of certain other account posting errors. These items were adjusted to the financial statements as agreed to by management.
- General Fund miscellaneous receipts were overstated and intergovernmental receipts were understated by \$20,165, due to an accounting posting error. This was reported to management as an unadjusted item.
- Special Revenue Funds' property and other local taxes, beginning cash fund balance, and restricted fund balance were understated, \$104,093, \$29,131, and \$803,078, respectively; and committed fund balance, public safety cash disbursements, and public works cash disbursements were overstated \$667,085, \$1,645, and \$1,124, respectively; due to the recording of a property tax settlement in an incorrect fund and the net effect of certain other account posting errors. These items were adjusted to the financial statements as agreed to by management.

The following errors were identified in the 2016 financial statements:

- General Fund assigned fund balance was understated \$484,287 due to encumbrances and the excess of subsequent year appropriations over estimated receipts not being assigned. Additionally, miscellaneous receipts and unassigned fund balance were overstated \$31,900 and \$516,187, respectively, due to the recording a property tax settlement in an incorrect fund and the net effect of certain other account posting errors. These items were adjusted to the financial statements as agreed to by management.
- Special Revenue Funds' miscellaneous receipts and restricted fund balance were understated \$31,900 and \$383,129, respectively; and committed fund balance was overstated \$351,229, respectively, due to the recording of a property tax settlement in an incorrect fund and the net effect of certain other account posting errors. These items were adjusted to the financial statements as agreed to by management.

**FINDING NUMBER 2017-001 – (Continued)**

The Township should exercise due care when posting transactions to help ensure transactions are correct and posted to the proper accounts. Management should also review the financial statements to help ensure they are supported by sufficient documentation, reconciled to the trial balances, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

**Officials' Response:** Management acknowledges the finding and the need for appropriate corrective action. The Fiscal Office has put in place steps to review and cross check when posting transactions to help ensure transactions are correct and posted to the proper accounts.



# Dave Yost • Auditor of State

**RUSSELL TOWNSHIP**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 20, 2018**