



OHIO AUDITOR OF STATE
KEITH FABER



**CHARDON TOWNSHIP
GEAUGA COUNTY
DECEMBER 31, 2019 AND 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2019	3
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2019	4
Notes to the Financial Statements – For the Year Ended December 31, 2019	5
Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2018	13
Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – Fiduciary Fund Type – For the Year Ended December 31, 2019	14
Notes to the Financial Statements – For the Year Ended December 31, 2018	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings	27

This page intentionally left blank.



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Chardon Township
Geauga County
9949 Mentor Road
Chardon, Ohio 44024

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Chardon Township, Geauga County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, 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 Chardon Township, as of December 31, 2019 and 2018, 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 April 21, 2021, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 21, 2021

Chardon 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, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$142,396	\$1,003,491	\$0	\$1,145,887
Charges for Services	0	60,616	0	60,616
Licenses, Permits and Fees	51,675	1,586	0	53,261
Intergovernmental	104,868	269,256	0	374,124
Earnings on Investments	1,288	87	0	1,375
Miscellaneous	19,107	23,072	0	42,179
<i>Total Cash Receipts</i>	<u>319,334</u>	<u>1,358,108</u>	<u>0</u>	<u>1,677,442</u>
Cash Disbursements				
Current:				
General Government	203,984	544,517	0	748,501
Public Safety	0	4,825	0	4,825
Public Works	87,275	663,782	0	751,057
Health	11,856	4,683	0	16,539
Conservation-Recreation	1,094	0	0	1,094
Capital Outlay	26,801	4,568	0	31,369
Debt Service:				
Principal Retirement	0	29,162	0	29,162
Interest and Fiscal Charges	0	3,188	0	3,188
<i>Total Cash Disbursements</i>	<u>331,010</u>	<u>1,254,725</u>	<u>0</u>	<u>1,585,735</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,676)</u>	<u>103,383</u>	<u>0</u>	<u>91,707</u>
<i>Fund Cash Balances, January 1</i>	<u>57,975</u>	<u>423,437</u>	<u>2,707</u>	<u>484,119</u>
Fund Cash Balances, December 31				
Restricted	0	508,369	2,707	511,076
Assigned	46,299	18,451	0	64,750
<i>Fund Cash Balances, December 31</i>	<u>\$46,299</u>	<u>\$526,820</u>	<u>\$2,707</u>	<u>\$575,826</u>

See accompanying notes to the basic financial statements

Chardon Township
Geauga County, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2019

	Private Purpose Trust
<i>Fund Cash Balances, January 1</i>	<u>\$1,004</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,004</u></u>

See accompanying notes to the basic financial statements

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Chardon Township, Geauga County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Chardon Fire Department, Inc. to provide fire and ambulance services.

Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Road and Bridge Fund This fund receives property tax money for the construction, maintenance and repair of Township roads.

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 4.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

Note 3 – Compliance

Contrary to Ohio Law, budgetary disbursements exceeded appropriation authority in the General Fund by \$49,566 for the year ended December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,339	\$319,334	\$94,995
Special Revenue	1,259,323	1,358,108	98,785
Total	\$1,483,662	\$1,677,442	\$193,780

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,259	\$332,825	(\$49,566)
Special Revenue	1,681,816	1,255,246	426,570
Capital Projects	2,707	0	2,707
Total	\$1,967,782	\$1,588,071	\$379,711

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Deposits and Investments

The Township maintains a deposits 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:

	2019
Demand deposits	<u>\$83,557</u>
Other time deposits (savings and NOW accounts)	<u>466,328</u>
Total deposits	<u>549,885</u>
STAR Ohio	<u>26,945</u>
Total deposits and investments	<u><u>\$576,830</u></u>

Deposits

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

Investments

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

Note 6 – Property Taxes

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

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

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Risk Management

Workers' Compensation

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

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2019
Cash and investments	\$35,207,320
Actuarial liabilities	10,519,942

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Middlefield Banking Company Loan	\$106,928	4.1%
State Infrastructure Bank Loan	228,660	3.0%
Total	\$335,588	

In 2018, the Township entered into a loan with Middlefield Banking Company for the purchase of a truck.

Also during 2018, the Township entered into a loan with the State Infrastructure Bank for repairs to Brentwood Stratford Ridge Road.

Amortization

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

	Middlefield Banking Company Loan	State Infrastructure Bank Loan
Year Ending December 31:		
2020	\$32,350	\$0
2021	32,350	32,362
2022	32,350	32,362
2023	32,350	32,362
2024	2,696	32,362
2025-2028	0	129,450
Total	\$132,096	\$258,898

This page intentionally left blank.

Chardon 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, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$144,912	\$951,283	\$0	\$1,096,195
Charges for Services	0	48,916	0	48,916
Licenses, Permits and Fees	47,043	1,320	0	48,363
Intergovernmental	97,154	240,405	0	337,559
Earnings on Investments	1,477	60	0	1,537
Miscellaneous	9,981	7,320	0	17,301
<i>Total Cash Receipts</i>	<u>300,567</u>	<u>1,249,304</u>	<u>0</u>	<u>1,549,871</u>
Cash Disbursements				
Current:				
General Government	220,041	539,871	0	759,912
Public Safety	16,400	3,525	0	19,925
Public Works	91,925	763,449	0	855,374
Health	8,295	5,615	0	13,910
Conservation-Recreation	1,083	0	0	1,083
Capital Outlay	32,374	15,451	367,810	415,635
Debt Service:				
Principal Retirement		14,721	0	14,721
Interest and Fiscal Charges	0	1,966	0	1,966
<i>Total Cash Disbursements</i>	<u>370,118</u>	<u>1,344,598</u>	<u>367,810</u>	<u>2,082,526</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(69,551)</u>	<u>(95,294)</u>	<u>(367,810)</u>	<u>(532,655)</u>
Other Financing Receipts				
Proceeds from SIB Loan	0	0	222,000	222,000
Other Loan Proceeds	0	0	145,810	145,810
Sale of Capital Assets	0	20,000	0	20,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>20,000</u>	<u>367,810</u>	<u>387,810</u>
<i>Net Change in Fund Cash Balances</i>	(69,551)	(75,294)	0	(144,845)
<i>Fund Cash Balances, January 1</i>	<u>127,526</u>	<u>498,731</u>	<u>2,707</u>	<u>628,964</u>
Fund Cash Balances, December 31				
Restricted	0	419,176	2,707	421,883
Assigned	<u>57,975</u>	<u>4,261</u>	<u>0</u>	<u>62,236</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$57,975</u></u>	<u><u>\$423,437</u></u>	<u><u>\$2,707</u></u>	<u><u>\$484,119</u></u>

See accompanying notes to the basic financial statements

Chardon Township
Geauga County, Ohio
Statement of Receipts, Disbursements
and Changes in Fund Balance (Regulatory Cash Basis)
Fiduciary Fund Type
For the Year Ended December 31, 2018

	Private Purpose Trust
<i>Fund Cash Balances, January 1</i>	<u>\$1,004</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,004</u></u>

See accompanying notes to the basic financial statements

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Chardon Township, Geauga County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Chardon Fire Department, Inc. to provide fire and ambulance services.

Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Road and Bridge Fund This fund receives property tax money for the construction, maintenance and repair of Township roads.

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

Kenworth Truck Fund The township received a loan from the Middlefield Banking Company for the purchase of a truck.

Stratford Brentwood SIB Fund The township received a loan from the State Infrastructure Board for capital improvements to Stratford Brentwood Ridge Road.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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

Basis of Accounting

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

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

Budgetary Process

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

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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

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

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 3 – Compliance

Contrary to Ohio Law, budgetary disbursements exceeded appropriation authority in the Kenworth Truck and Stratford Brentwood SIB funds by \$145,810 and \$222,000, respectively, for the year ended December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$254,150	\$300,567	\$46,417
Special Revenue	1,211,700	1,269,304	57,604
Capital Projects	367,810	367,810	0
Total	\$1,833,660	\$1,937,681	\$104,021

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$381,676	\$370,118	\$11,558
Special Revenue	1,700,181	1,344,598	355,583
Capital Projects	2,707	367,810	(365,103)
Trust	704	0	704
Total	\$2,085,268	\$2,082,526	\$2,742

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Deposits and Investments

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

	2018
Demand deposits	<u>\$21,226</u>
Other time deposits (savings and NOW accounts)	<u>437,570</u>
Total deposits	<u>458,796</u>
STAR Ohio	<u>26,327</u>
Total deposits and investments	<u><u>\$485,123</u></u>

Deposits

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

Investments

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

Note 6 – Property Taxes

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

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

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Risk Management

Workers' Compensation

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

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	7,874,610

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's 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 health care and survivor and disability benefits.

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

Chardon Township
Geauga County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Postemployment Benefits

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

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Middlefield Banking Company Loan	\$136,090	4.1%
State Infrastructure Bank Loan	228,660	3.0%
Total	\$364,750	

In 2018, the Township entered into a loan with Middlefield Banking Company for the purchase of a truck.

Also during the year, the Township entered into a loan with the State Infrastructure Bank for repairs to Brentwood Stratford Ridge Road.

Amortization

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

	Middlefield Banking Company Loan	State Infrastructure Bank Loan
Year Ending December 31:		
2019	\$29,653	\$0
2020	32,350	0
2021	32,350	32,362
2022	32,350	32,362
2023	32,350	32,362
2024-2028	2,696	161,812
Total	\$161,749	\$258,898

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



Lausche Building, 12th Floor
615 Superior Avenue, NW
Cleveland, Ohio 44113-1801
(216) 787-3665 or (800) 626-2297
NortheastRegion@ohioauditor.gov

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

Chardon Township
Geauga County
9949 Mentor Road
Chardon, Ohio 44024

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Chardon Township, Geauga County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated April 21, 2021, 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) as a basis for designing 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 2020-001 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 financial statements. 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 the 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.



Keith Faber
Auditor of State
Columbus, Ohio

April 21, 2021

**CHARDON TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Financial Reporting – Material Weakness

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.

GASB 54, paragraph 35 states permanent funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. Permanent funds do not include private purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

The following weaknesses were identified and subsequent adjustments made by the Township to their financial statements and, where applicable, accounting system for 2019:

- Various receipts were misposted as intergovernmental in the Special Revenue Fund, overstating Intergovernmental receipts by \$263,618, and overstating Property Tax receipts and Charges for Services receipts by \$262,505 and \$1,113, respectively;
- Cable franchise fees were recorded in the Township's revenue ledger; however, the Township has a resolution in place to pay the monies received to GTV that hosts the Township website and offers hosting to all local community news. The Township posted these expenses as a negative receipt, thus understating Licenses, Permits and Fees receipts and overstating General Government disbursements in the General Fund in the amount of \$41,381;
- Loan principal payments were recorded as interest payments in the Special Revenue Fund, thereby understating principal retirement disbursements and overstating Interest and Fiscal Charges disbursements in the amount of \$29,162;
- The Township's Caley Trust Fund was initially incorrectly reported as a governmental "Permanent Fund" instead of a fiduciary "Private Purpose Trust Fund" as it should have been based on the trust agreement and nature of activity; and
- The Township's budgetary activity and debt financial statement note disclosures did not accurately reflect the Township's activity and required revisions.

The following weaknesses were identified and subsequent adjustments made by the Township to their financial statements and, where applicable, accounting system for 2018:

- Various receipts and corresponding fees were misposted, resulting in an overstatement of property tax revenue and fund cash balance in the General Fund of \$3,868 and \$945, respectively, an understatement of Intergovernmental Receipts, Miscellaneous Receipts and General Government disbursements of \$386, \$3,352 and \$815 in the General Fund, an overstatement of Intergovernmental receipts of \$59,743 in the Special Revenue Fund, and an understatement of Intergovernmental receipts, General Government disbursements and Fund Cash Balance of \$66,485, \$5,797 and \$945, respectively, in the Special Revenue Fund;
- Cable franchise fees were recorded in the Township's revenue ledger; however, the Township has a resolution in place to pay the monies received to GTV that hosts the Township website and offers hosting to all local community news. The Township posted these expenses as a negative receipt, thus understating Licenses, Permits and Fees receipts and overstating General Government disbursements in the General Fund in the amount of \$49,918;

**CHARDON TOWNSHIP
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

**FINDING NUMBER 2019-001
(Continued)**

Financial Reporting – Material Weakness (Continued)

- Loan principal payments were recorded as interest payments in the Special Revenue Fund, thereby understating principal retirement disbursements and overstating Interest and Fiscal Charges disbursements in the amount of \$14,721;
- The Township's Caley Trust Fund was initially incorrectly reported as a governmental "Permanent Fund" instead of a fiduciary "Private Purpose Trust Fund" as it should have been based on the trust agreement and nature of activity; and
- The Township's budgetary activity and debt financial statement note disclosures did not accurately reflect the Township's activity and required revisions.

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 each fund classification and note disclosure is accurate and all financial activity is 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. Additionally, the Township should refer to Auditor of State Technical Bulletin 2011-004 for assistance in classifying funds, and should contact UAN support for assistance in reclassifying the permanent fund to individual private purpose trust funds as necessary.

Officials' Response: The Township understands and has made all proposed adjustments. The Fiscal Officer is utilizing appropriate accounting guides and supporting documentation to post receipts and loan payments. The Township inquired with Local Government Services and UAN Support to resolve the posting issues related to cable franchise fees. Finally, the Township worked with UAN and changed the classification of the Caley Trust Fund to a Private Purpose Trust Fund in its accounting system.

TRUSTEES

Chuck Strazinsky 440-343-3149
Timothy McKenna 440-346-4856
Michael Brown 440-286-1655

FISCAL OFFICER

Ilona Daw-Krizman 440-313-5203



CHARDON
T O W N S H I P

9949 Mentor Road
Chardon, Ohio 44024
Office: 440-286-3711
lnelson@chardontownship.com
Road Office: 440-285-9002

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Reporting	Not Corrected	Re-Issued as part of Finding 2019-001
2017-002	Fund Balances	Not Corrected	Re-Issued as part of Finding 2019-001

OHIO AUDITOR OF STATE KEITH FABER



CHARDON TOWNSHIP

GEAUGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/6/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov