



**MARGARETTA TOWNSHIP  
ERIE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2021-2020**

**OHIO AUDITOR OF STATE  
KEITH FABER**





MARGARETTA TOWNSHIP  
ERIE COUNTY

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Margaretta Township  
Erie County  
114 Main Street  
P.O. Box 278  
Castalia, Ohio 44824-0278

To the Board of Trustees:

### ***Report on the Audit of the Financial Statements***

#### ***Unmodified and Adverse Opinions***

We have audited the financial statements of Margaretta Township, Erie County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

#### ***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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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

August 4, 2023

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**Margaretta Township**  
*Erie County*  
*Combined Statement of Receipts, Disbursements,*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2021*

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$135,419	\$1,349,140	\$1,484,559
Charges for Services		196,332	196,332
Licenses, Permits and Fees	57,621	43,770	101,391
Intergovernmental	74,452	486,249	560,701
Special Assessments		20,443	20,443
Earnings on Investments	1,040	192	1,232
Miscellaneous	34,968	90,429	125,397
<i>Total Cash Receipts</i>	<u>303,500</u>	<u>2,186,555</u>	<u>2,490,055</u>
<b>Cash Disbursements</b>			
Current:			
General Government	304,270	24,524	328,794
Public Safety	1,572	1,093,596	1,095,168
Public Works	5,824	550,813	556,637
Health	357	127,119	127,476
Conservation-Recreation		38,362	38,362
Capital Outlay	41,223	174,845	216,068
<i>Total Cash Disbursements</i>	<u>353,246</u>	<u>2,009,259</u>	<u>2,362,505</u>
<i>Net Change in Fund Cash Balances</i>	(49,746)	177,296	127,550
<i>Fund Cash Balances, January 1</i>	<u>399,493</u>	<u>815,421</u>	<u>1,214,914</u>
<i>Fund Cash Balances, December 31</i>	<u>\$349,747</u>	<u>\$992,717</u>	<u>\$1,342,464</u>

*See accompanying notes to the financial statements*

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Margaretta Township, Erie County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, parks and recreation services, fire protection, and emergency medical services.

***Public Entity Risk Pool and Jointly Governed Organizations***

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 7 and 12 to the financial statements provide additional information for these entities.

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

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Fire District Fund*** The Fire District Fund receives property tax money to pay for fire services for Township residents.

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

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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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(C) permit.

***Budgetary Process***

The Ohio Revised Code requires each fund be budgeted annually.

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

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 4.

***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 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:

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

***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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

***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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

**Note 3 - Compliance**

Contrary to Ohio law, appropriations exceeded certified resources in the Road and Bridge, Cemetery, and Fire District funds by \$9,001, \$22,800, and \$19,999, respectively, at December 31, 2021.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$273,451	\$303,500	\$30,049
Special Revenue	2,156,974	2,186,555	29,581
Capital Projects	200,000		(200,000)
<b>Total</b>	<b>\$2,630,425</b>	<b>\$2,490,055</b>	<b>(\$140,370)</b>

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$713,238	\$353,246	\$359,992
Special Revenue	3,084,744	2,009,259	1,075,485
Capital Projects	85,000		85,000
<b>Total</b>	<b>\$3,882,982</b>	<b>\$2,362,505</b>	<b>\$1,520,477</b>

**Note 5 - Deposits and Investments**

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

	2021
<b><i>Cash Management Pool (the Pool):</i></b>	
Demand deposits	\$407,100
STAR Ohio	935,364
<i>Total carrying amount of deposits and investments held in the Pool</i>	<b>\$1,342,464</b>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

***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.

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 7 - Risk Management**

***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>2021</u>
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Some Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement 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, 2021.

***Ohio Police and Fire Retirement System***

The Township's full-time certified fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2021.

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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***Social Security***

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2021.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 - Debt**

***Leases***

During 2021, the Township entered into a lease agreement in the amount of \$74,936 for a backhoe. The Township did not incur any lease costs for the year ended December 31, 2021.

***Amortization***

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

Year Ending December 31:	Leases
2022	\$20,310
2023	20,310
2024	20,310
2025	20,310
Total	<u>\$81,240</u>

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2021*

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**Note 11 - Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. 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**

***Sand Hill Cemetery Association***

Sand Hill Cemetery Association (the Association) provides grounds maintenance, opening and closing of graves, and the sale of lots. Margaretta, Groton, Oxford, and Perkins townships each appoint a member of the Board of Trustees of the Association. The Township contributed \$2,500 to the Association for the year ended December 31, 2021.

***Northern Ohio Rural Water***

Northern Ohio Rural Water (the District), a regional water district, is a political subdivision of the State of Ohio, organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees. The District was incorporated for the purpose of providing a water supply for domestic, industrial, and public use to users within and outside the District. Each member has one representative to the District and is entitled to one vote on items under consideration. The District is administered by a 24 member board of trustees elected by the members of the District of governments. The board exercises total control over the District's operation including budgeting, appropriating, contracting and designating management.

**Note 13 Fund Balances**

The fund balance of Special Revenue funds is either restricted or committed.

**Note 14 - Miscellaneous Receipts**

General Fund miscellaneous receipts consist primarily of tower lease receipts and reimbursements.



**Margaretta Township**  
*Erie County*  
*Combined Statement of Receipts, Disbursements,*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2020*

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$138,676	\$1,328,021		\$1,466,697
Charges for Services		163,537		163,537
Licenses, Permits and Fees	72,365	38,779		111,144
Intergovernmental	69,083	499,483	\$80,000	648,566
Earnings on Investments	5,916	198		6,114
Miscellaneous	102,021	110,026		212,047
<i>Total Cash Receipts</i>	<u>388,061</u>	<u>2,140,044</u>	<u>80,000</u>	<u>2,608,105</u>
<b>Cash Disbursements</b>				
Current:				
General Government	347,747	196,405		544,152
Public Safety	1,317	1,039,992		1,041,309
Public Works	17,985	550,844		568,829
Health	1,150	123,596		124,746
Conservation-Recreation		41,475		41,475
Capital Outlay	79,368	86,759	80,000	246,127
<i>Total Cash Disbursements</i>	<u>447,567</u>	<u>2,039,071</u>	<u>\$80,000</u>	<u>2,566,638</u>
<i>Net Change in Fund Cash Balances</i>	(59,506)	100,973		41,467
<i>Fund Cash Balances, January 1</i>	<u>458,999</u>	<u>714,448</u>		<u>1,173,447</u>
<i>Fund Cash Balances, December 31</i>	<u>\$399,493</u>	<u>\$815,421</u>		<u>\$1,214,914</u>

*See accompanying notes to the financial statements*

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Margaretta Township, Erie County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, parks and recreation services, fire protection, and emergency medical services.

***Public Entity Risk Pool and Jointly Governed Organizations***

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 7 and 12 to the financial statements provide additional information for these entities.

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

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

***Basis of Presentation***

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

***Fund Accounting***

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

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

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

***Fire District Fund*** The Fire District Fund receives property tax money to pay for fire services for Township residents.

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

***Community Development Block Grant Fund*** The Township received a federal grant for an ADA restroom project at the Township's park.

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

***Budgetary Process***

The Ohio Revised Code requires each fund be budgeted annually.

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

***Estimated Resources*** Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

***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 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.

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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***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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township.

***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*. For regulatory purposes, assigned fund balance in the General Fund is limited to encumbrances outstanding at year end.

***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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 13.

**Note 3 - Compliance**

Contrary to Ohio law, appropriations exceeded certified resources in the General, Road and Bridge, Fire District, and Ambulance and Emergency Medical Services funds by \$133,311, \$68,701, \$97,562, and \$10,080, respectively, at December 31, 2020.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ended December 31, 2020 follows:

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$284,549	\$388,061	\$103,512
Special Revenue	2,141,937	2,140,044	(1,893)
Capital Projects	200,000	80,000	(120,000)
<b>Total</b>	<b>\$2,626,486</b>	<b>\$2,608,105</b>	<b>(\$18,381)</b>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$984,549	\$447,567	\$536,982
Special Revenue	2,922,853	2,039,071	883,782
Capital Projects	200,000	80,000	120,000
<b>Total</b>	<b>\$4,107,402</b>	<b>\$2,566,638</b>	<b>\$1,540,764</b>

**Note 5 - Deposits and Investments**

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

	2020
<b><i>Cash Management Pool (the Pool):</i></b>	
Demand deposits	\$280,285
STAR Plus	929,243
Total deposits	1,209,528
STAR Ohio	5,386
<i>Total carrying amount of deposits and investments held in the Pool</i>	<b>\$1,214,914</b>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

***Investments***

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

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**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.

**Note 7 - Risk Management**

***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>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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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, 2020.

***Ohio Police and Fire Retirement System***

The Township's full-time certified fire fighters belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2020.

***Social Security***

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

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 - Debt**

***Leases***

The Township leases a vehicle. The Township disbursed \$28,054 to pay lease costs for the year ended December 31, 2020. This lease was paid in full at December 31, 2020.

**Margaretta Township**  
*Erie County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 11 - Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. 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**

***Sand Hill Cemetery Association***

Sand Hill Cemetery Association (the Association) provides grounds maintenance, opening and closing of graves, and the sale of lots. Margaretta, Groton, Oxford, and Perkins townships each appoint a member of the Board of Trustees of the Association. The Township contributed \$0 to the Association for the year ended December 31, 2020.

***Northern Ohio Rural Water***

Northern Ohio Rural Water (the District), a regional water district, is a political subdivision of the State of Ohio, organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees. The District was incorporated for the purpose of providing a water supply for domestic, industrial, and public use to users within and outside the District. Each member has one representative to the District and is entitled to one vote on items under consideration. The District is administered by a 24 member board of trustees elected by the members of the District of governments. The board exercises total control over the District's operation including budgeting, appropriating, contracting and designating management.

**Note 13 - Fund Balances**

The fund balance of Special Revenue funds is either restricted or committed. The fund balance of the Capital Projects funds are restricted, committed, or assigned.

**Note 14 - Miscellaneous Receipts**

General Fund and Special Revenue Fund Type miscellaneous receipts consist primarily of tower lease proceeds, worker's compensation refunds, reimbursements, donations, and sale of cemetery lots.

**Note 15 - Change in Accounting Principle**

For 2020, the Township has made changes to its cash basis reporting model. These changes include removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) - all governmental fund types.



# OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
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(800) 282-0370

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

Margaretta Township  
Erie County  
114 Main Street  
P.O. Box 278  
Castalia, Ohio 44824-0278

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements of Margaretta Township, Erie County, Ohio (the Township) and have issued our report thereon dated August 4, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

### ***Report on Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2021-002.

***Purpose of this Report***

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



Keith Faber  
Auditor of State  
Columbus, Ohio

August 4, 2023

**MARGARETTA TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2021 AND 2020**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2021-001**

**Material Weakness - Financial Reporting**

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

The following errors requiring adjustment to the financial statements and notes to the financial statements were identified:

- In 2021, General Fund and Special Revenue Fund Type budgeted receipts were decreased in the amounts of \$47,277 and \$190,366, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts;
- In 2021, Capital Projects Fund Type budgeted receipts and appropriation authority were increased in the amounts of \$200,000 and \$85,000, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts;
- In 2020, Capital Projects Fund Type intergovernmental receipts and capital outlay disbursements were each increased in the amount of \$80,000 in order to properly account for the Township's Community Development Block Grant project paid directly to the vendor(s) on behalf of the Township. As part of these adjustments, actual receipts and budgetary expenditures were also increased by the same amount in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts;
- In 2020, General Fund miscellaneous receipts in the amount of \$46,238 were improperly classified as intergovernmental receipts;
- In 2020, General Fund and Special Revenue Fund Type budgeted receipts were decreased in the amounts of \$676,805 and \$501,211, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts;
- In 2020, General Fund and Special Revenue Fund Type actual receipts were decreased in the amounts of \$705,446 and \$203,002, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with actual amounts;
- In 2020, Special Revenue Fund Type and Capital Projects Fund Type appropriation authority were increased in the amounts of \$249,705 and \$200,000, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with authorized budget amounts;
- In 2020, General Fund budgetary expenditures were decreased in the amount of \$72,268 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount;
- In 2020, Special Revenue Fund Type budgetary expenditures were increased in the amount of \$295,799 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the actual amount; and
- In 2020, Capital Projects Fund Type budgeted receipts were increased in the amount of \$200,000 in order to bring the amount reported in the Budgetary Activity note to the financial statements in line with the authorized budget amount.

**FINDING NUMBER 2021-001  
(CONTINUED)**

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The failure to adequately monitor financial statements and notes to the financial statements could allow for misstatements to occur and go undetected. The accompanying financial statements and notes to the financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements and ranging from \$713 to \$86,841 that we have brought to the Township's attention.

The Township should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and Board of Trustees.

**FINDING NUMBER 2021-002**

**Noncompliance Citation**

**Ohio Rev. Code § 5705.39** provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2021 the Township's appropriations exceeded the amount certified as available by the budget commission in the Road and Bridge, Cemetery, and Fire District funds by \$9,001, \$22,800, and \$19,999, respectively.

At December 31, 2020 the Township's appropriations exceeded the amount certified as available by the budget commission in the General, Road and Bridge, Fire District, and Ambulance and Emergency Medical Services funds by \$133,311, \$68,701, \$97,562, and \$10,080, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

# MARGARETTA TOWNSHIP

## BOARD OF TRUSTEES

P.O. Box 278 • 114 Main Street • Castalia, OH 44824  
Phone: 419-684-9500 • Fax: 419-684-5601 • www.margarettatwp.org

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2021 AND 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Material weakness and noncompliance with Ohio Rev. Code § 5705.10(D) for improper fund posting.	Partially corrected and reissued as part of the management letter.	This matter was not fully corrected due to deficiencies in the Township's internal control over compliance. However, errors were not material, thus supporting reduction to management letter reporting. The Fiscal Officer will review postings to ensure compliance.
2019-002	Noncompliance with Ohio Rev. Code § 5705.39 for appropriations exceeding certified resources.	Not corrected and reissued as Finding 2021-002 in this report.	This matter was not corrected due to deficiencies in the Township's internal controls over compliance. The Fiscal Officer will continue to monitor budgetary compliance.
2019-003	Finding was first reported during the audit of the 2017 financial statements. Material weakness for errors in financial reporting.	Not corrected and reissued as Finding 2021-001 in this report.	This matter was not corrected due to deficiencies in the Township's internal controls over financial reporting. The Fiscal Officer will continue to monitor transactions for proper posting.

**Joe Bias, Jr.**  
Trustee

**Gary Pooch**  
Trustee

**Tim Riesterer**  
Trustee

**Bob Day**  
Fiscal Officer

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# OHIO AUDITOR OF STATE KEITH FABER



**MARGARETTA TOWNSHIP**

**ERIE 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 8/17/2023**

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](http://www.ohioauditor.gov)