

**MONROE TOWNSHIP  
HARRISON COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2016 - DECEMBER 31, 2017**





# Dave Yost • Auditor of State

Township Trustees  
Monroe Township  
P. O. Box 249  
Bowerston, Ohio 44695-0249

We have reviewed the *Independent Auditors' Report* of Monroe Township, Harrison County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 22, 2018

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**MONROE TOWNSHIP  
HARRISON COUNTY  
JANUARY 1, 2016 - DECEMBER 31, 2017**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Monroe Township  
Harrison County  
P.O. Box 249  
Bowerston, Ohio 44695-0249

To the Township 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 the Monroe Township, Harrison County, as of and for the years ended December 31, 2017 and 2016.

**Management's Responsibility For the Financial Statements**

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

**Auditor's Responsibility**

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

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

**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, 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 permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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

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

#### **Basis for Adverse Opinion on Regulatory Basis of Accounting**

Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036 require trustees to document the proportionate amount of salaries chargeable to other Township funds based on the kinds of services rendered. Without this documentation, the Township must charge salaries to the General Fund. During 2009 and 2008, the Township charged Trustees' salaries as well as related taxes and OPERS to the Road and Bridge and Gasoline Tax Funds totaling \$18,785 and \$9,802, respectively, without the required supporting documentation. Findings for adjustment issued in a prior audit for noncompliance with these requirements were not posted by the Township during the audit period. However, it was noted the Township made this adjustment in 2018.

Had the Township agreed to these adjustments, the effect would have resulted in General Fund cash balances at December 31, 2017 and 2016 totaling \$59,703 and \$2,421, respectively. The effects would have resulted in Special Revenue Fund cash balances at December 31, 2017 and 2016 totaling \$241,198 and \$213,972.

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

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Monroe Township, Harrison County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements 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) permits, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2018, on our consideration of Monroe 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.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
May 11, 2018



**MONROE TOWNSHIP  
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 17,990	\$ 169,157	\$ -	\$ 187,147
Intergovernmental	19,946	110,149	-	130,095
Earnings on Investments	18	9	9	36
Miscellaneous	23,142	11,537	-	34,679
<b>Total Cash Receipts</b>	<u>61,096</u>	<u>290,852</u>	<u>9</u>	<u>351,957</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	26,898	16,452	-	43,350
Public Safety	-	104,336	-	104,336
Public Works	4,419	127,114	-	131,533
Health	-	3,251	-	3,251
Capital Outlay	-	69,794	-	69,794
Debt Service:				
Principal Retirement	-	6,548	-	6,548
Interest an Fiscal Charges	-	732	-	732
<b>Total Cash Disbursements</b>	<u>31,317</u>	<u>328,227</u>	<u>-</u>	<u>359,544</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	29,779	(37,375)	9	(7,587)
<b>Other Financing Receipts (Disbursements)</b>				
Loan Proceeds	-	40,000	-	40,000
Other Financing Sources	27,503	25,000	-	52,503
Other Financing Uses	-	(399)	-	(399)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>27,503</u>	<u>64,601</u>	<u>-</u>	<u>92,104</u>
<b>Net Change in Fund Cash Balance</b>	57,282	27,226	9	84,517
<b>Fund Cash Balances, January 1</b>	<u>31,008</u>	<u>185,385</u>	<u>7,404</u>	<u>223,797</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	6,900	6,900
Restricted	-	145,174	513	145,687
Committed	-	48,138	-	48,138
Assigned	15,757	19,299	-	35,056
Unassigned (Deficit)	72,533	-	-	72,533
<b>Fund Cash Balances, December 31</b>	<u>\$ 88,290</u>	<u>\$ 212,611</u>	<u>\$ 7,413</u>	<u>\$ 308,314</u>

See notes to financial statements.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**1. REPORTING ENTITY**

**Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Monroe Township, Harrison County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Bowerston Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

**B. 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:

**Gasoline Tax Fund** – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

**Road and Bridge Fund** – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Permanent Funds**

These funds 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 Township's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

**Cemetery Bequest Fund** – This fund receives interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**C. 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 117-2-03(D). 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 117-2-03(D) permit.

**D. 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 Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2017 budgetary activity appears in Note 3.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Deposits and Investments**

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

Certificates of Deposit are valued at cost.

**F. 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.

**G. 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.

**H. 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.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**3. BUDGETARY ACTIVITY**

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 84,088	\$ 88,599	\$ 4,511
Special Revenue	341,070	355,852	14,782
Permanent	-	9	9
Total	\$ 425,158	\$ 444,460	\$ 19,302

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 115,097	\$ 47,074	\$ 68,023
Special Revenue	526,455	347,925	178,530
Total	\$ 641,552	\$ 394,999	\$ 246,553

**4. EQUITY IN POOLED CASH**

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

	2017
Demand Deposits	\$ 300,995
Certificate of Deposit	7,319
Total	\$ 308,314

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

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**5. PROPERTY TAX**

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

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

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

**6. RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$1,314.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**6. RISK MANAGEMENT (Continued)**

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

Contributions to OTARMA

2017	\$2,920
2016	2,927
2015	2,831

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

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2017.

**8. POSTEMPLOYMENT BENEFITS**

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

**9. DEBT**

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note - Tractor	\$ 33,452	2.840%
Total	<u>\$ 33,452</u>	

The Township issued a promissory note in March 2017 in the amount of \$40,000 to finance the purchase of a Tractor with a loader. The tractor collateralized the note and is paid from the Gasoline Tax Fund.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**9. DEBT (Continued)**

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

<u>Year Ending December 31:</u>	<u>PN - Tractor</u>
2018	\$ 7,280
2019	7,280
2020	7,280
2021	7,280
2022	7,280
Total	\$ 36,400

**10. PUBLIC ENTITY RISK POOL**

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



**MONROE TOWNSHIP  
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 17,233	\$ 161,963	\$ -	\$ 179,196
Intergovernmental	19,965	170,737	-	190,702
Earnings on Investments	13	8	9	30
Miscellaneous	228	33,430	-	33,658
<b>Total Cash Receipts</b>	<u>37,439</u>	<u>366,138</u>	<u>9</u>	<u>403,586</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	28,311	19,487	-	47,798
Public Safety	-	92,650	-	92,650
Public Works	-	91,714	-	91,714
Health	-	4,702	-	4,702
Capital Outlay	5,333	60,885	-	66,218
Debt Service:				
Principal Retirement	-	18,079	-	18,079
Interest and Fiscal Charges	-	414	-	414
<b>Total Cash Disbursements</b>	<u>33,644</u>	<u>287,931</u>	<u>-</u>	<u>321,575</u>
<b>Net Change in Fund Cash Balance</b>	3,795	78,207	9	82,011
<b>Fund Cash Balances, January 1</b>	<u>27,213</u>	<u>107,178</u>	<u>7,395</u>	<u>141,786</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	6,900	6,900
Restricted	-	132,902	504	133,406
Committed	-	50,137	-	50,137
Assigned	117	2,346	-	2,463
Unassigned (Deficit)	30,891	-	-	30,891
<b>Fund Cash Balances, December 31</b>	<u>\$ 31,008</u>	<u>\$ 185,385</u>	<u>\$ 7,404</u>	<u>\$ 223,797</u>

See notes to financial statements.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**1. REPORTING ENTITY**

**Description of the Entity**

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The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

**B. 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:

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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:

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**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Permanent Funds**

These funds 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 Township's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

**Cemetery Bequest Fund** – This fund receives interest earned on the nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**C. 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 117-2-03(D). 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 117-2-03(D) permit.

**D. 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 Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2016 budgetary activity appears in Note 3.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Deposits and Investments**

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

Certificates of Deposit are valued at cost.

**F. 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.

**G. 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.

**H. 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.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**3. BUDGETARY ACTIVITY**

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 29,300	\$ 37,439	\$ 8,139
Special Revenue	307,872	366,138	58,266
Permanent	-	9	9
Total	\$ 337,172	\$ 403,586	\$ 66,414

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 56,513	\$ 33,761	\$ 22,752
Special Revenue	415,050	290,277	124,773
Total	\$ 471,563	\$ 324,038	\$ 147,525

**4. EQUITY IN POOLED CASH**

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

	2016
Demand Deposits	\$ 216,487
Certificate of Deposit	7,310
Total	\$ 223,797

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

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**5. PROPERTY TAX**

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

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

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

**6. RISK MANAGEMENT**

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

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$1,317.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**6. RISK MANAGEMENT (Continued)**

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

Contributions to OTARMA

2016	\$2,927
2015	2,831
2014	2,804

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

**7. DEFINED BENEFIT PENSION PLANS**

*Ohio Public Employees Retirement System*

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

**8. POSTEMPLOYMENT BENEFITS**

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

**9. DEBT**

All debt was paid off in 2016.

**10. PUBLIC ENTITY RISK POOL**

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

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

Monroe Township  
Harrison County  
P.O. Box 249  
Bowerston, Ohio 44695-0249

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Monroe Township, Harrison County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 11, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also issued an adverse opinion on the 2017 and 2016 financial statements due to the Township declining to make adjustments for mispostings.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

*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 a 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. We consider Findings 2017-001 and 2017-003 described in the accompanying schedule of findings to be material weaknesses.



Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page Two

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Monroe Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2017-001 and 2017-002.

***Purpose of this Report***

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

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
May 11, 2018

**MONROE TOWNSHIP  
HARRISON COUNTY**

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

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number 2017-001**

**Noncompliance/Material Weakness – Financial Reporting**

Ohio Admin. Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transaction, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

As a result of audit procedures, errors were noted that required reclassification to the financial statement as follows:

The following is related to 2016:

- Reclassification of \$1,055 to Intergovernmental from Property and Other Local Taxes in the General Fund.
- Reclassification of \$1,880 to Intergovernmental from Property and Other Local Taxes in the Road and Bridge Fund.
- Reclassification of \$2,961 to Intergovernmental from Property and Other Local Taxes in the Fire Levy Fund
- Reclassification of \$519 to Intergovernmental from Property and Other Local Taxes in the Cemetery Levy Fund

The following is related to 2017

- Reclassification of \$40,000 to Loan Proceeds from Other Financing Sources in the Gasoline Tax Fund.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions.

Client Response: We have not received a response from the client.

**MONROE TOWNSHIP  
HARRISON COUNTY**

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

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**Finding Number 2017-002**

**Noncompliance - Debt**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt, § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2017, the Township signed a promissory note in the amount of \$40,000 with the Citizens Savings Bank to purchase a tractor. This type of debt did not meet the requirements set forth in Ohio Rev. Code Chapter 133.

The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods debt for Townships.

We recommend the Township consult with legal counsel when Trustees anticipate incurring future debt to help ensure it is an allowable type of debt.

Client Response: We have not received a response from the client.

**FINDING NUMBER 2017-003**

**Material Weakness – Financial Reporting**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2017) provides suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The Township did not properly reflect its December 31, 2016 and 2017 cash balances in accordance with Governmental Accounting Standards Board (GASB) Statement Number 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

**MONROE TOWNSHIP  
HARRISON COUNTY**

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

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2017-003 (Continued)**

Financial statement errors identified for the year ended December 31, 2016 were as follows:

- Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$117 for the General Fund.
- Committed Fund Balance was overstated and the Assigned Fund Balance and Restricted Fund Balance were understated by \$59 and \$8,327, respectively, for the Motor Vehicle License Tax Fund.
- Committed Fund Balance was overstated and the Assigned Fund Balance and Restricted Fund Balance were understated by \$1,215 and \$65,422, respectively, for the Gasoline Tax Fund.
- Committed Fund Balance was overstated and the Assigned Fund Balance understated by \$57 for the Road and Bridge Fund.
- Restricted Fund Balance was overstated and the Assigned Fund Balance understated by \$1,015 for the Cemetery Levy Fund.
- Committed Fund Balance was overstated and the Restricted Fund Balance understated by \$405 for the Miscellaneous Road Fund.
- Committed Fund Balance was overstated and the Restricted Fund Balance understated by \$1,000 for the Miscellaneous Special Revenue Fund.
- Restricted Fund Balance was overstated and the Nonspendable Fund Balance understated by \$6,900 for the Cemetery Bequest Fund.

Financial statement errors identified for the year ended December 31, 2017 were as follows:

- Unassigned Fund Balance was overstated and the Assigned Fund Balance understated by \$15,757 for the General Fund.
- Committed Fund Balance was overstated and the Assigned Fund Balance and Restricted Fund Balance were understated by \$160 and \$10,058, respectively, for the Motor Vehicle License Tax Fund.
- Committed Fund Balance was overstated and the Assigned Fund Balance and Restricted Fund Balance were understated by \$13,569 and \$54,092, respectively, for the Gasoline Tax Fund.
- Committed Fund Balance was overstated and the Assigned Fund Balance understated by \$1,738 for the Road and Bridge Fund.
- Restricted Fund Balance was overstated and the Assigned Fund Balance understated by \$1,560 for the Fire Levy Fund.
- Restricted Fund Balance was overstated and the Assigned Fund Balance understated by \$2,272 for the Cemetery Levy Fund.
- Committed Fund Balance was overstated and the Restricted Fund Balance understated by \$122 for the Miscellaneous Road Fund.
- Committed Fund Balance was overstated and the Restricted Fund Balance understated by \$1,000 for the Miscellaneous Special Revenue Fund.
- Restricted Fund Balance was overstated and the Nonspendable Fund Balance understated by \$6,900 for the Cemetery Bequest Fund.

**MONROE TOWNSHIP  
HARRISON COUNTY**

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

**FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2017-003 (Continued)**

Material adjustments, with which the Township officials' agree, are reflected within the accompanying financial statements.

The Township should develop internal control internal control procedures to ensure the financial statements of the Township accurately reflect the fund cash balance in accordance with GASB Statement No. 54 reporting requirements. The Township Fiscal Officer may refer to Auditor of State Bulletin 2011-004 for additional guidance.

Client Response: We have not received a response from the client.

**MONROE TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2015-001	Material Weakness/ Noncompliance Financial Reporting	No	Not Corrected; Repeated as Finding 2017-001
2015-002	Noncompliance Ways to incurr debt	No	Not Corrected; Repeated as Finding 2017-002
2015-003	Material Weakness/ Noncompliance Trustees' Compensation	Yes	Finding No Longer valid
2015-004	Noncompliance ORC 5705.41 (D) certifications	Yes	Finding No Longer valid



# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**HARRISON COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 5, 2018**