



**MONROE TOWNSHIP
PREBLE COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Monroe Township
1791 W. Holtzmuller
West Manchester, OH 45382

We have reviewed the *Independent Auditor's Report* of Monroe Township, Preble County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 30, 2020

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MONROE TOWNSHIP
PREBLE COUNTY

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Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

August 7, 2020

Monroe Township
Preble County
2159 Kimmel Road
Eldorado, Ohio 45321

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Board of Trustees did not make the prior proposed audit adjustment for paying Township Trustee salaries and fringe benefits from the Gasoline Tax and Road and Bridge Funds (Special Revenue Fund Type), in the amount of \$69,684 (the Township made transfers of \$5,000 from the General Fund to the Road and Bridge Fund during 2019 and 2018 to pay back a portion of what was owed). Due to the impact this adjustment would have on the General Fund, the Township declined to make this adjustment.

Had the posting errors noted in the preceding paragraph been properly posted to the financial statements and the accounting system; the General Fund cash balance would have been decreased \$69,684, the Gasoline Tax Fund cash balance would have increased \$46,299 and the Road and Bridge Fund cash balance would have increased \$23,385.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and the related notes of Monroe Township, Preble County, as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2019 and 2018, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MONROE TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 21,347	\$ 219,120	\$ 240,467
Intergovernmental	22,741	138,800	161,541
Earnings on Investments	95	11	106
Miscellaneous	609	15,171	15,780
<i>Total Cash Receipts</i>	<u>44,792</u>	<u>373,102</u>	<u>417,894</u>
Cash Disbursements			
Current:			
General Government	33,024	5,252	38,276
Public Safety	-	111,180	111,180
Public Works	31	212,116	212,147
Health	9,664	17,607	27,271
Conservation-Recreation	-	866	866
Capital Outlay	1,000	1,411	2,411
Debt Service:			
Principal Retirement	-	8,354	8,354
<i>Total Cash Disbursements</i>	<u>43,719</u>	<u>356,786</u>	<u>400,505</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,073</u>	<u>16,316</u>	<u>17,389</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
Other Financing Sources	126	-	126
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,874)</u>	<u>5,000</u>	<u>126</u>
<i>Net Change in Fund Cash Balances</i>	(3,801)	21,316	17,515
<i>Fund Cash Balances, January 1</i>	<u>29,791</u>	<u>207,449</u>	<u>237,240</u>
Fund Cash Balances, December 31			
Restricted	-	204,444	204,444
Committed	-	24,321	24,321
Assigned	18,637	-	18,637
Unassigned	7,353	-	7,353
<i>Fund Cash Balances, December 31</i>	<u>\$ 25,990</u>	<u>\$ 228,765</u>	<u>\$ 254,755</u>

The notes to the financial statements are an integral part of this statement.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Monroe Township, Preble County, (the Township) as a body corporate and politic. A publicly elected three- member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of Eldorado and West Manchester Fire Departments to provide fire protection and emergency medical services.

Public Entity Risk Pools

The Township participates in a public entity risk pool for insurance purposes. OTARMA is the Township's insurance carrier. The management pool is through OTARMA, and is associated with a related organization. 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.

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 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 The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund accounts for and reports a portion of property tax money for constructing, maintaining, and repairing roads.

Special Fire Levy Fund The special fire levy fund accounts for and reports a portion of property tax to provide fire protection for Township residents.

Cemetery Maintenance Levy Fund The cemetery maintenance levy fund accounts for and reports a portion of property tax to pay for cemetery maintenance and upkeep in Monroe Township's cemeteries.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control. 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 2019 budgetary activity appears in Note 3.

Deposits

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.

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.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Non-spendable when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,635	\$ 44,918	\$ 10,717
Special Revenue	364,306	378,102	(13,796)
Total	\$ 419,941	\$ 423,020	\$ (3,079)

MONROE TOWNSHIP

PREBLE COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2019*

Note 3 – Budgetary Activity (Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 77,460	\$ 48,719	\$ 28,741
Special Revenue	514,200	356,786	157,414
Total	\$ 591,660	\$ 405,505	\$ 186,155

Note 4 – Deposits and Investments

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

	2019
Demand deposits	\$ 218,235
Other time deposits (savings and NOW accounts)	35,768
Total deposits	254,003
STAR Ohio	752
Total investments	752
Total deposits and investments	\$ 254,755

Deposits

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

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

Note 5 – Property Taxes

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

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

MONROE TOWNSHIP

PREBLE COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2019*

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes 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>2019</u>
Cash and investments	\$ 35,207,320
Actuarial liabilities	\$ 10,519,942

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 8 – Postemployment Benefits

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

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt

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

	Principal	Interest Rate
Holtzmuller Road Reconstruction	\$129,492	0%
Total	\$129,492	

The Township received a loan from the Ohio Public Works Commission for the Holtzmuller Road reconstruction. The loan will be repaid in bi-annual installments of \$4,177, over 20 years. Payments are made from the Gasoline Tax Fund.

Amortization

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

Year Ending December 31:	OPWC Loan
2020	\$ 8,354
2021	8,354
2022	8,354
2023	8,354
2024	8,354
2025-2029	41,770
2030-2034	41,770
2035-2039	4,182
Total	\$ 129,492

Note 10 – Transfers

During 2019, the following transfer was made:

	Transfer In	Transfer Out
General Fund	\$ -	\$ (5,000)
Road and Bridge Fund	5,000	-
Total	\$ 5,000	\$ (5,000)

During 2019, the Township transferred money from the General Fund to the Road and Bridge Fund to repay adjustments in the prior audit per Township resolution. This transfer was determined to be appropriate and in compliance with the Ohio Revised Code.

MONROE TOWNSHIP

PREBLE COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2019*

Note 11 – Going Concern/Negative General Fund Balance

The Township has begun paying back prior audit adjustments from previous audit periods. These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2019 would be (\$43,694).

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 to the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 12 – Management Plan

Monroe Township is aware of the Auditor of State's concerns over the manner in which the Trustee's salaries have been paid. The Township has implemented payroll certifications to be in compliance with the Ohio Revised Code. The Trustees have passed a resolution to allocate \$5,000 each year to be transferred from the General Fund to the Gasoline Tax and Road and Bridge Funds to repay the outstanding adjustments.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

**MONROE TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 22,689	\$ 231,206	\$ 253,895
Intergovernmental	22,266	123,831	146,097
Earnings on Investments	85	18	103
Miscellaneous	515	13,622	14,137
<i>Total Cash Receipts</i>	<u>45,555</u>	<u>368,677</u>	<u>414,232</u>
Cash Disbursements			
Current:			
General Government	32,713	5,153	37,866
Public Safety	-	110,525	110,525
Public Works	31	211,305	211,336
Health	9,438	7,268	16,706
Capital Outlay	1,000	1,386	2,386
Debt Service:			
Principal Retirement	-	8,354	8,354
<i>Total Cash Disbursements</i>	<u>43,182</u>	<u>343,991</u>	<u>387,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>2,373</u>	<u>24,686</u>	<u>27,059</u>
Other Financing Receipts (Disbursements)			
Transfers In	-	5,000	5,000
Transfers Out	(5,000)	-	(5,000)
Other Financing Sources	1,174	-	1,174
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,826)</u>	<u>5,000</u>	<u>1,174</u>
<i>Net Change in Fund Cash Balances</i>	(1,453)	29,686	28,233
<i>Fund Cash Balances, January 1</i>	<u>31,244</u>	<u>177,763</u>	<u>209,007</u>
Fund Cash Balances, December 31			
Restricted	-	176,567	176,567
Committed	-	30,882	30,882
Assigned	21,825	-	21,825
Unassigned	7,966	-	7,966
<i>Fund Cash Balances, December 31</i>	<u>\$ 29,791</u>	<u>\$ 207,449</u>	<u>\$ 237,240</u>

The notes to the financial statements are an integral part of this statement.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Cemetery Maintenance Levy Fund The cemetery maintenance levy fund accounts for and reports a portion of property tax to pay for cemetery maintenance and upkeep in Monroe Township's cemeteries.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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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 or object level of control. 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 2018 budgetary activity appears in Note 3.

Deposits

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.

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.

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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 Non-spendable when legally or contractually required to maintain the amounts intact.

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 55,635	\$ 49,354	\$ 6,281
Special Revenue	364,306	373,677	(9,371)
Total	\$ 419,941	\$ 423,031	\$ (3,090)

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 80,560	\$ 43,182	\$ 37,378
Special Revenue	485,700	343,991	141,709
Total	\$ 566,260	\$ 387,173	\$ 179,087

Note 4 – Deposits and Investments

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

	2018
Demand deposits	\$ 200,826
Other time deposits (savings and NOW accounts)	35,679
Total deposits	236,505
STAR Ohio	735
Total investments	735
Total deposits and investments	\$ 237,240

Deposits

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

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

Note 5 – Property Taxes

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

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

MONROE TOWNSHIP

PREBLE COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Risk Pool Membership

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

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

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

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 8 – Postemployment Benefits

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

MONROE TOWNSHIP
PREBLE COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 – Debt

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

	Principal	Interest Rate
Holtzmuller Road Reconstruction	\$137,846	0%
Total	\$137,846	

The Township received a loan from the Ohio Public Works Commission for the Holtzmuller Road reconstruction. The loan will be repaid in bi-annual installments of \$4,177, over 20 years. Payments are made from the Gasoline Tax Fund.

Amortization

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

Year Ending December 31:	OPWC Loan
2019	\$ 8,354
2020	8,354
2021	8,354
2022	8,354
2023	8,354
2024-2028	41,770
2029-2033	41,770
2034-2038	12,536
Total	\$ 137,846

Note 10 – Transfers

During 2018, the following transfer was made:

	Transfer In	Transfer Out
General Fund	\$ -	\$ (5,000)
Road and Bridge Fund	5,000	-
Total	\$ 5,000	\$ (5,000)

During 2018, the Township transferred money from the General Fund to the Road and Bridge Fund to repay adjustments in the prior audit per Township resolution. This transfer was determined to be appropriate and in compliance with the Ohio Revised Code.

MONROE TOWNSHIP

PREBLE COUNTY

*Notes to the Financial Statements
For the Year Ended December 31, 2018*

Note 11 – Going Concern/Negative General Fund Balance

The Township has begun paying back prior audit adjustments from previous audit periods. These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2018 would be (\$44,893).

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 to the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 12 – Management Plan

Monroe Township is aware of the Auditor of State's concerns over the manner in which the Trustee's salaries have been paid. The Township has implemented payroll certifications to be in compliance with the Ohio Revised Code. The Trustees have passed a resolution to allocate \$5,000 each year to be transferred from the General Fund to the Gasoline Tax and Road and Bridge Funds to repay the outstanding adjustments.

Note 13 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, any recovery from emergency funding, either federal or state, cannot be estimated.

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

August 7, 2020

Monroe Township
Preble County
2159 Kimmel Road
Eldorado, Ohio 45321

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of **Monroe Township**, Preble County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 7, 2020, 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 and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We also issued a qualified opinion for findings for an adjustment that has not been recorded to the accounting records. In addition, we noted the Township will continue as a going concern.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Compliance and Other Matters

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

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MONROE TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2019 and 2018, receipts and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Budget carryover was classified as Unassigned instead of Assigned in 2019 and 2018;
- Road and Bridge Fund balances, representing inside millage from property taxes, were posted as Restricted instead of Committed fund balance in 2019 and 2018;
- Cemetery lot revenue was posted in the General Fund instead of the Cemetery Fund in 2018;
- Prior audit adjustments were posted incorrectly as transfers in 2018 and one adjustment was posted to the incorrect fund.

Not properly recording revenue or classifying fund balances accurately resulted in the financial statements requiring reclassifications. The Financial Statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenue and fund balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt accounts and posting of receipts. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – We did not receive a response from officials to this finding.

**MONROE TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Financial Reporting	Partially Corrected	Repeated as Finding 2019-001
2017-002	Salary Overpayment	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



MONROE TOWNSHIP

PREBLE 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 11/12/2020

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