



Dave Yost • Auditor of State

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Monroe Township Water and Sewer District
Miami County
4 East Main Street
Tipp City, Ohio 45371

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Monroe Township Water and Sewer District, Miami County, Ohio (the District) 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the District 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.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Monroe Township Water and Sewer District, Miami County as of December 31, 2017 and 2016, 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 1.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 9 to the financial statements, the District reported a cash deficit at December 31, 2017. Additionally, the District has significant loans. However, the District does not have resources or revenue stream to repay the loans, and has disclosed that substantial doubt exists about its ability to continue as a going concern. Note 9 describes Management's evaluation of these events and conditions and their plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is unmodified regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the District'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 District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 9, 2018

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017
Operating Cash Receipts:	
Special Assessments	\$8,134
Interest Income	25
	<u>8,159</u>
<i>Total Operating Cash Receipts</i>	<u>8,159</u>
Operating Cash Disbursements:	
Engineering Services	212,156
Legal Fees	135,024
Project Construction	1,479,184
Other Project Disbursements	89,613
Accounting Services	1,465
Bank Charges	170
Advertising	67
	<u>1,917,679</u>
<i>Total Operating Cash Disbursements</i>	<u>1,917,679</u>
<i>Operating Income/(Loss)</i>	<u>(1,909,520)</u>
Non-Operating Cash Receipts:	
OWDA Loan Proceeds	2,281,985
	<u>2,281,985</u>
<i>Total Non-Operating Cash Receipts</i>	<u>2,281,985</u>
Non-Operating Cash Disbursements:	
Debt Service	350,000
Interest and Other Fiscal Charges	32,879
	<u>382,879</u>
<i>Total Non-Operating Cash Disbursements</i>	<u>382,879</u>
<i>Net Receipts Over/(Under) Disbursements</i>	<u>(10,414)</u>
Cash Balances, January 1	7,352
	<u>7,352</u>
<i>Cash Balances (Deficit), December 31</i>	<u><u>(\$3,062)</u></u>

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

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**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Monroe Township Water and Sewer District, Miami County, (the District) as a body corporate and politic. The Monroe Township Trustees appointed all members to the Board of Trustees to direct the District. There are five Board Members. The only subdivision within the District is Monroe Township. During 2016, the District was still in the planning phase. Eventually, the District plans to provide water and sewer services to residents of the District.

The District is associated with a related organization. Note 7 to the financial statements provides additional information for this entity. This organization is Monroe Township, Miami County.

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

B. Accounting Basis

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 District 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.

C. Deposits

The District's cash is in demand deposits.

D. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

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

A summary of 2017 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount and bank balance of deposits at December 31 was as follows:

	2017
Demand deposits - Bank Balance	\$14,098
Demand deposits - Carrying Amount	(\$3,062)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2017 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$2,290,144	\$2,290,144

2017 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$2,300,558	(\$2,300,558)

Contrary to Ohio law, the District did not pass an annual budget and budgetary expenditures exceeded appropriations of the District by \$2,300,558.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

4. DEBT

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OWDA Loan #7572	\$2,281,985	3.0%
Monroe Township Loan	40,000	0%
Total	\$2,321,985	

The District issued \$350,000 of Water Resource Revenue Notes (the "Series 2013 Notes") for the purpose of paying for the planning of the cost of the Country Estates East Project (water and sewer project). With the Bank purchasing all of the Series 2013 Notes, the Series 2013 Notes were issued as a single note in the principal amount of \$350,000, numbered from R-1 upward in order of issuance, dated the date of their initial delivery to the Bank, maturing not more than three (3) years from their date of issuance, and registered as to both principal and interest in the name of the Bank. The Series 2013 Notes shall be designated "Water Resource Revenue Notes (Country Estates East Water and Sewer Project)". The outstanding principal amount of the Series 2013 Notes from time to time shall bear interest at the rate of two and five tenths percent (2.5%) per annum, calculated from the last date to which interest has been paid, or, if no interest has been paid, from the date of their issuance and on the basis of a 365-day year. The principal of and interest on the Series 2013 Notes (the "Note Service Charges") shall be payable at maturity. These notes were repaid in full in 2017 with the proceeds from an Ohio Water Development Authority (OWDA) loan which is also being used to finance the construction of water and sewer lines and related infrastructure for the Country Estates East Water and Sewer Project.

The District entered into a loan agreement with OWDA to provide financing for the Country Estates East Water and Sewer Project and also pay off the existing \$350,000 Water Resource Revenue Notes described in the preceding paragraph. The principal amount of the original loan was \$2,889,452 and the interest rate is 3.0%; however, as of December 31, 2017, the amount of loan draws including \$32,716 in capitalized interest was \$2,281,985 so the loan was not completed as of that date and no amortization schedule has been provided for repayment of this loan. This is a 30 year loan with a final payment due on July 1, 2048.

In addition, the Board of Trustees of Monroe Township, Miami County, Ohio approved a Loan Reimbursement Agreement in the total amount of \$40,000 for the purpose of planning, constructing, maintaining, repairing and operating water and sewer systems pursuant to Ohio Revised Code Sections 505.705 and 6119.04. The District is not required to pay any interest to the Township on the sums advanced.

Repayment of sums advanced by the Township shall be due within ninety days after the date on which construction of the Phase 1 project (currently anticipated to be the Country Estates Water Line Project) is completed and provision of services to resident customers has been initiated. The District may repay the advanced sums sooner if they choose to do so. Should the District be unable to repay the advance amount in full as required, then an alternative plan may be negotiated between the Township and the District.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

6. RELATED PARTY TRANSACTIONS

As previously discussed in Note 4, the District has a Loan Reimbursement Agreement with the Board of Trustees of Monroe Township, Miami County, Ohio. Monroe Township appoints the Board members of the District.

7. RELATED ORGANIZATIONS

The District was formed by the Board of Trustees of Monroe Township, Miami County, Ohio. As such, the governing board members of the District are selected and appointed by a majority vote of the Board of Trustees of Monroe Township.

8. SUBSEQUENT EVENTS

The District entered into an additional loan agreement with OWDA in the total amount of \$99,439 at an interest rate of 2.67% for 30 year term with final payment due July 1, 2048. The loan was made to provide additional funds to finalize the Country Estates East Water and Sewer Project.

9. GOING CONCERN AND MANAGEMENT'S PLAN

At December 31, 2017 the District had a \$40,000 loan outstanding with Monroe Township and an outstanding loan balance of \$2,282,985 with OWDA. The District's cash deficit as of December 31, 2017 was \$3,062 and the District has just started providing services to generate revenue to repay the loans.

Management has taken steps to mitigate the going concern by paying off the \$350,000 Monroe Federal loan using proceeds from a project loan from the Ohio Water Development Agency (OWDA). The District has levied special assessments on property owners to provide monies to assist in retiring the OWDA loan. The District has also set rates at a level which is anticipated to be sufficient to pay ongoing operating costs and also assist in retiring the OWDA loan.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>
Operating Cash Receipts:	
Interest Income	<u>\$17</u>
<i>Total Operating Cash Receipts</i>	<u>17</u>
Operating Cash Disbursements:	
Engineering Services	52,389
Legal Fees	27,982
Easement	7,500
State Auditor Fees	533
Dues	150
Insurance - Liability, E & O	2,112
Advertising	2,442
Other	<u>13,881</u>
<i>Total Operating Cash Disbursements</i>	<u>106,989</u>
<i>Net Receipts Over/(Under) Disbursements</i>	<u>(106,972)</u>
Cash Balances, January 1	<u>114,324</u>
<i>Cash Balances, December 31</i>	<u><u>\$7,352</u></u>

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

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**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges for the Monroe Township Water and Sewer District, Miami County, (the District) as a body corporate and politic. The Monroe Township Trustees appointed all members to the Board of Trustees to direct the District. There are five Board Members. The only subdivision within the District is Monroe Township. During 2016, the District was still in the planning phase. Eventually, the District plans to provide water and sewer services to residents of the District.

The District is associated with a related organization. Note 7 to the financial statements provides additional information for this entity. This organization is Monroe Township, Miami County.

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

B. Accounting Basis

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 District 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.

C. Deposits

The District's cash is in demand deposits.

E. Budgetary Process

The Ohio Revised Code requires the Board to budget annually.

4. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function or object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). Appropriations lapse at year end.

5. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

E. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS

The District may invest in certificates of deposits, notes, bonds, or other obligations of the United States, or any agency or instrumentality thereof, or in obligations of the State or any political subdivision thereof.

The carrying amount of deposits at December 31 was as follows:

	2016
Demand deposits	\$7,352

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2016 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$0	\$17	\$17

2016 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$0	\$106,989	(\$106,989)

Contrary to Ohio law, the District did not pass an annual budget and budgetary expenditures exceeded appropriations of the District by \$106,989.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

4. DEBT

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Water Resource Revenue Notes	\$350,000	2.5%
Monroe Township Loan	40,000	0%
Total	\$390,000	

The District issued \$350,000 of Water Resource Revenue Notes (the "Series 2013 Notes") for the purpose of paying for the planning of the cost of the Country Estates East Project (water and sewer project). With the Bank purchasing all of the Series 2013 Notes, the Series 2013 Notes were issued as a single note in the principal amount of \$350,000, numbered from R-1 upward in order of issuance, dated the date of their initial delivery to the Bank, maturing not more than three (3) years from their date of issuance, and registered as to both principal and interest in the name of the Bank. The Series 2013 Notes shall be designated "Water Resource Revenue Notes (Country Estates East Water and Sewer Project)". The outstanding principal amount of the Series 2013 Notes from time to time shall bear interest at the rate of two and five tenths percent (2.5%) per annum, calculated from the last date to which interest has been paid, or, if no interest has been paid, from the date of their issuance and on the basis of a 365-day year. The principal of and interest on the Series 2013 Notes (the "Note Service Charges") shall be payable at maturity. The maturity date on the Series 2013 Notes was December 3, 2016. However, the District did not have adequate resources to pay off the debt. See Note 9 for management's plan.

In addition, the Board of Trustees of Monroe Township, Miami County, Ohio approved a Loan Reimbursement Agreement in the total amount of \$40,000 for the purpose of planning, constructing, maintaining, repairing and operating water and sewer systems pursuant to Ohio Revised Code Sections 505.705 and 6119.04. The District is not required to pay any interest to the Township on the sums advanced.

Repayment of sums advanced by the Township shall be due within ninety days after the date on which construction of the Phase 1 project (currently anticipated to be the Country Estates Water Line Project) is completed and provision of services to resident customers has been initiated. The District may repay the advanced sums sooner if they choose to do so. Should the District be unable to repay the advance amount in full as required, then an alternative plan may be negotiated between the Township and the District.

5. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. RELATED PARTY TRANSACTIONS

As previously discussed in Note 4, the District has a Loan Reimbursement Agreement with the Board of Trustees of Monroe Township, Miami County, Ohio. Monroe Township appoints the Board members of the District.

7. RELATED ORGANIZATIONS

The District was formed by the Board of Trustees of Monroe Township, Miami County, Ohio. As such, the governing board members of the District are selected and appointed by a majority vote of the Board of Trustees of Monroe Township.

8. SUBSEQUENT EVENTS

During 2017, the District entered into a loan agreement with OWDA in the total amount of \$2,889,452 at an interest rate of 3.00% to provide financing for the Country Estates East Water and Sewer Project and to pay off the \$350,000 Water Resource Revenue Notes.

The District entered into an additional loan agreement with OWDA in the total amount of \$99,439 at an interest rate of 2.67% for 30 year term with final payment due July 1, 2048. The loan was made to provide additional funds to finalize the Country Estates East Water and Sewer Project.

9. GOING CONCERN AND MANAGEMENT'S PLAN

At December 31, 2016 the District had a \$40,000 loan outstanding with Monroe Township and a \$350,000 loan outstanding with Monroe Federal Savings and Loan. The bank loan matured on December 3, 2016. The District's cash balance as of December 31, 2016 was \$7,352 and the District has not started providing services or collecting revenue to repay the loans.

Management intends to mitigate the going concern by restructuring the \$350,000 Monroe Federal loan into a project loan from the Ohio Water Development Agency (OWDA). The loan application was approved on January 26, 2017 for a maximum amount of \$2,889,452. Estimated semi-annual loan payments will be \$73,373 beginning January 1, 2019. The District intends to use assessments collected from property owners to retire the OWDA loan.



Dave Yost • Auditor of State

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

Monroe Township Water and Sewer District
Miami County
4 East Main Street
Tipp City, Ohio 45371

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 of the Monroe Township Water and Sewer District, Miami County, (the District) 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 November 9, 2018 wherein we noted the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the District has a cash deficit at December 31, 2017 and has significant loans but does not have resources or revenue stream to repay the loans raising substantial doubt about its ability to continue as a going concern.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District'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 District'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District'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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

District's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

November 9, 2018

**MONROE TOWNSHIP WATER AND SEWER DISTRICT
MIAMI COUNTY**

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

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

FINDING NUMBER 2017-001

NONCOMPLIANCE

Ohio Rev. Code § 5705.28(B)(2)(a) states that the taxing authority of a taxing unit that does not levy a tax is not required to adopt a tax budget pursuant to division (A) of this section. Instead, on or before the fifteenth day of July each year, such taxing authority shall adopt an operating budget for the taxing unit for the ensuing fiscal year. The operating budget shall include an estimate of receipts from all sources, a statement of all taxing unit expenses that are anticipated to occur, and the amount required for debt charges during the fiscal year. The operating budget is not required to be filed with the county auditor or the county budget commission.

Additionally, **Ohio Rev. Code § 5705.28(B)(2)(b)** requires entities that do not levy taxes to follow **Ohio Rev. Code § 5705.41**.

Ohio Rev. Code § 5705.41(B) states no subdivision or tax unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

The District did not approve a budget for fiscal year 2017 or 2016. This resulted in the total expenditures exceeding appropriations by \$2,300,558 during 2017 and \$106,989 during 2016

The District should establish and implement policies and procedures to verify that operating budgets are approved in a timely manner; therefore, allowing the District appropriate time to adapt to any anticipated changes in the ensuing fiscal year and the actual results are compared and monitored against the budgeted amounts. The District should also establish procedures to verify actual expenses do not exceed budgeted amounts during the year. Failure to do so could result in the District going in deficit.

Official's Response: The Monroe Township Water and Sewer District takes the issue of proper budgeting very seriously and recognizes the importance of having a budget in place and then monitored by the District's Board on a regular basis. The District Board prepared and approved a budget for 2018 and for 2019 and its December 10, 2018 Board meeting and will properly monitor and amend the 2019 budget as needed during the fiscal year 2019.

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Dave Yost • Auditor of State

MONROE TOWNSHIP WATER AND SEWER DISTRICT

MIAMI 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
JANUARY 10, 2019**