



**MONROE TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

MONROE TOWNSHIP
HOLMES COUNTY

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INDEPENDENT AUDITOR'S REPORT

Monroe Township
Holmes County
5207 Township Road 257
Millersburg, Ohio 45654

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, Holmes County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

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.

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 Qualified Opinion* 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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

For the period of January 1, 2009 through December 31, 2012 the Township paid Trustee compensation totaling \$24,762 from the Road and Bridge Fund; \$26,886 from the Road District Fund, and \$1,415 from the Gasoline Tax Fund without proper supporting documentation as required by Ohio Revised Code Section 505.24(C) and 2004 Opinion Attorney General Number 2004-036. The December 31, 2018 and 2017 financial statements did not include the required adjustments to report the correct General Fund and Special Revenue Fund balances. Had the financial statements reflected the adjustments, the effect would have resulted in negative General Fund cash balances at December 31, 2018 and 2017 of (\$41,213) and (\$43,418), respectively. In addition, the effect would have resulted in Special Revenue Fund cash balances at December 31, 2018 and 2017 \$85,173 and \$95,004, respectively.

Additional Qualified Opinion

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 receipts and disbursements by fund type, and related notes of Monroe Township, Holmes County as of December 31, 2018 and 2017, 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.

Other Matter

In our report dated July 8, 2019 we expressed an unmodified opinion on the regulatory basis of accounting for the years ended December 31, 2018 and 2017. After the release of that report it was discovered that the adjustments mentioned in the *Basis for Additional Opinion Qualification* paragraph were not made to the Township's financial statements. We qualified our opinion due to the effect on the beginning and ending fund balances for the years ended December 31, 2018 and 2017. Accordingly, our present opinion, as presented herein, is different from that expressed in our previous report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 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.



Keith Faber
Auditor of State

Columbus, Ohio

February 6, 2020

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**MONROE TOWNSHIP
HOLMES 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	\$48,800	\$133,408	\$182,208
Intergovernmental	30,103	106,588	136,691
Earnings on Investments	31	15	46
Miscellaneous	1,703	2,583	4,286
<i>Total Cash Receipts</i>	<u>80,637</u>	<u>242,594</u>	<u>323,231</u>
Cash Disbursements			
Current:			
General Government	73,088	8,699	81,787
Public Works	5,477	218,885	224,362
Conservation-Recreation	51	-	51
Capital Outlay	-	89,783	89,783
Debt Service:			
Principal Retirement	-	13,591	13,591
Interest and Fiscal Charges	-	1,590	1,590
<i>Total Cash Disbursements</i>	<u>78,616</u>	<u>332,548</u>	<u>411,164</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>2,021</u>	<u>(89,954)</u>	<u>(87,933)</u>
Other Financing Receipts			
Sale of Bonds	-	80,000	80,000
Other Financing Sources	184	123	307
<i>Total Other Financing Receipts</i>	<u>184</u>	<u>80,123</u>	<u>80,307</u>
<i>Net Change in Fund Cash Balances</i>	2,205	(9,831)	(7,626)
<i>Fund Cash Balances, January 1</i>	<u>9,645</u>	<u>41,941</u>	<u>51,586</u>
Fund Cash Balances, December 31			
Restricted	-	32,110	32,110
Assigned	454	-	454
Unassigned (Deficit)	11,396	-	11,396
<i>Fund Cash Balances, December 31</i>	<u>\$11,850</u>	<u>\$32,110</u>	<u>\$43,960</u>

See accompanying notes to the basic financial statements

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**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. REPORTING ENTITY

Monroe Township, Holmes County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and law of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance. Fire protection and emergency medical services are provided by the Holmes Fire District #1 and police protection is provided by the Holmes County Sheriff.

The Township's management believes these financial statements present all activities for which 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. Accounting Basis

These financial statements follow the accounting basis permitted by the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). The 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 Auditor of State prescribes or permits.

C. Cash and Deposits

The Township deposits all available funds in an interest earning checking account at local bank (Killbuck Savings). All deposits are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

2. Special Revenue Funds

These funds account for the proceeds from specific sources (other than from private-purpose trust or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund- This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund-This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road District Fund-This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

3. 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 re-appropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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:

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. 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.

4. 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 the Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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 the unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant and Equipment

The Township records disbursements for acquisition of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

H. Accumulated Leave

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

3. EQUITY IN POOLED CASH

The Township maintains a cash deposit pool of all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31, 2018 was:

DEMAND DEPOSITS: \$ 43,960

Deposits: Deposits are insured by the Federal Depository Insurance

4. BUDGETARY ACTIVITY

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	76,396	80,821	4,425
Special Revenue	<u>326,305</u>	<u>322,717</u>	<u>(3,588)</u>
Total	<u>402,701</u>	<u>403,538</u>	<u>837</u>

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2018 Budgeted vs. Actual Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	86,041	78,616	7,425
Special Revenue	<u>365,683</u>	<u>332,548</u>	<u>33,135</u>
Total	<u>451,724</u>	<u>411,164</u>	<u>40,560</u>

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted the 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 statement includes homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June.

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. DEBT

Debt outstanding at December 31, 2018 was as follows :

	Principal	Interest Rate
Township Equipment Bonds, Series 2018	\$80,000	4.84%

In 2018, the Township issued bonds in the amount of 80,000.00 @ 4.84% From First-Knox National Bank, Division of The Park National Bank. This bond was obtained to purchase a 2018 Ford F-550. The bond will be paid in semi-annual installments of \$7,761.95, with the final payment due October 1, 2024. The semi-annual installments will be made from the Road & Bridge Fund (if needed) and the Road District Fund.

In 2011, the Township obtained a \$117,000 4.00% loan from a local bank. This loan was obtained in order to pay for the construction of a new building, pay off the remaining balance on a loan for a grader, and to purchase a new tractor. The loan will be paid in semi-annual installment of \$11,084, with the final payment due in March of 2018. The semi-annual payments will be made from the Road & Bridge Fund and the Road District Fund.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

6. DEBT (Continued)

In December 2014, the Township obtained a \$10,000 4.06% loan from a local bank. This loan was obtained to purchase a truck. The loan will be paid in quarterly payments with the first on due March 2015 in the amount of \$682.20, with the final payment due December 2018. The quarterly payment will be made from the Road & Bridge (if needed) and the Road District Fund.

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

Year Ending December 31:	F-550 Ford Truck Loan
2019	15,524
2020	15,524
2021	15,524
2022	15,524
2023	15,524
2024	15,524
Total	<u>93,144</u>

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include post-retirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

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

8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, 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.

9. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- *Comprehensive property and general liability
- *Vehicles
- *Public Officials Liability

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

9. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs

10. CONTINGENT LIABILITIES

There are no pending claims or lawsuits.

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**MONROE TOWNSHIP
HOLMES COUNTY**

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$47,632	\$133,561	\$181,193
Intergovernmental	80,212	102,750	182,962
Earnings on Investments	27	18	45
Miscellaneous	1,120	23,309	24,429
<i>Total Cash Receipts</i>	<u>128,991</u>	<u>259,638</u>	<u>388,629</u>
Cash Disbursements			
Current:			
General Government	128,199	4,818	133,017
Public Works	5,000	209,151	214,151
Capital Outlay	-	23,647	23,647
Debt Service:			
Principal Retirement	-	24,260	24,260
Interest and Fiscal Charges	-	1,318	1,318
<i>Total Cash Disbursements</i>	<u>133,199</u>	<u>263,194</u>	<u>396,393</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(4,208)</u>	<u>(3,556)</u>	<u>(7,764)</u>
Other Financing Receipts			
Other Financing Sources	884	-	884
<i>Total Other Financing Receipts</i>	<u>884</u>	<u>-</u>	<u>884</u>
<i>Net Change in Fund Cash Balances</i>	(3,324)	(3,556)	(6,880)
<i>Fund Cash Balances, January 1</i>	<u>12,969</u>	<u>45,497</u>	<u>58,466</u>
Fund Cash Balances, December 31			
Restricted	-	41,941	41,941
Assigned	9,645	-	9,645
<i>Fund Cash Balances, December 31</i>	<u>\$9,645</u>	<u>\$41,941</u>	<u>\$51,586</u>

See accompanying notes to the basic financial statements

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**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. REPORTING ENTITY

Monroe Township, Holmes County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and law of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance. Fire protection and emergency medical services are provided by the Holmes Fire District #1 and police protection is provided by the Holmes County Sheriff.

The Township's management believes these financial statements present all activities for which 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. Accounting Basis

These financial statements follow the accounting basis permitted by the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). The 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 Auditor of State prescribes or permits.

C. Cash and Deposits

The Township deposits all available funds in an interest earning checking account at local bank (Killbuck Savings). All deposits are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for the proceeds from specific sources (other than from private-purpose trust or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund- This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund-This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Road District Fund-This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The County Budget Commission must also approve estimated resources.

3. 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 re-appropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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:

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. 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.

4. 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 the Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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 the unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant and Equipment

The Township records disbursements for acquisition of property, plant and equipment when paid. The accompanying financial statement does not report these items as assets.

H. Accumulated Leave

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

3. EQUITY IN POOLED CASH

The Township maintains a cash deposit pool of all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash deposits at December 31, 2017 was:

DEMAND DEPOSITS: \$ 51,586

Deposits: Deposits are insured by the Federal Depository Insurance

4. BUDGETARY ACTIVITY

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	124,197	129,875	5,678
Special Revenue	<u>235,016</u>	<u>259,638</u>	<u>24,622</u>
Total	<u>359,213</u>	<u>389,513</u>	<u>30,300</u>

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

4. BUDGETARY ACTIVITY (Continued)

2017 Budgeted vs. Actual Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	137,163	133,199	3,964
Special Revenue	<u>280,407</u>	<u>263,194</u>	<u>17,213</u>
Total	<u><u>417,570</u></u>	<u><u>396,393</u></u>	<u><u>21,177</u></u>

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted the 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 statement includes homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June.

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. DEBT

Debt outstanding at December 31, 2017 was as follows :

	Principal	Interest Rate
Building/Grader/Tractor	\$10,876	4.00%
Truck Loan	<u>2,660</u>	<u>4.06%</u>
Total	<u><u>\$13,536</u></u>	

In 2011, the Township obtained a \$117,000 4.00% loan from a local bank. This loan was obtained in order to pay for the construction of a new building, pay off the remaining balance on a loan for a grader, and to purchase a new tractor. The loan will be paid in semi-annual installment of \$11,084, with the final payment due in March of 2018. The semi-annual payments will be made from the Road & Bridge Fund and the Road District Fund.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

6. DEBT (Continued)

In December 2014, the Township obtained a \$10,000 4.06% loan from a local bank. This loan was obtained to purchase a truck. The loan will be paid in quarterly payments with the first due in March 2015 in the amount of \$682.20, with the final payment due December 2018. The quarterly payment will be made from the Road & Bridge (if needed) and the Road District Fund.

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

Year Ending December 31:	Building/Grader/Tract or Loan	Truck Loan
2018	\$11,095	\$2,729

7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include post-retirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, 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 1.0 percent during calendar year 2017.

9. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- *Comprehensive property and general liability
- *Vehicles
- *Public Officials Liability

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs

10. CONTINGENT LIABILITIES

There are no pending claims or lawsuits.

OHIO AUDITOR OF STATE KEITH FABER



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

Monroe Township
Holmes County
5207 Township Road 257
Millersburg, Ohio 45654

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, Holmes County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated February 6, 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. In addition, it was noted an unmodified opinion on the regulatory basis of accounting was previously issued on July 8, 2019. However, prior period adjustments were not reflected in the beginning and ending fund balances of the December 31, 2018 and 2017 financial statements and a qualified opinion has been issued.

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 opinion 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. The results of our tests in our report dated July 8, 2019, did not identify any deficiencies in internal control. Subsequent to issuing our July 8, 2019 report, we did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 in our report dated July 8, 2019, disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. *Subsequent to issuing our July 8, 2019 report, we determined this report should include 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 2018-001.*

This report includes finding 2018-001, and replaces our report dated July 8, 2019. This finding does affect our opinion on the financial statements that also dated February 6, 2020.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

February 6, 2020

**MONROE TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Noncompliance/Material Weakness – Finding for Adjustment – Township Trustee Compensation

Ohio Rev. Code § 505.24(C) permits trustee’s to receive annual salaries instead of per diem payments. When paid by salary, Ohio Revised Code § 505.24 (C) does not prescribe a “documentation of time spent” requirement. However, for salaries not paid from the general fund, 2004 Op. Att’y Gen. No. 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to restricted Township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the Trustee documents time spent on Township business and the type of service performed, in a manner similar to Trustees paid per diem compensation. If Trustees do not document their time, then no part of salaries may be paid from these restricted funds.

For the period of January 1, 2009 through December 31, 2012, previous audit reports indicate that Trustee compensation was paid out of restricted funds in the amount of \$24,762 from the Road and Bridge Fund, \$26,886 from the Road District Fund, and \$1,415 from the Gasoline Tax Fund without proper supporting documentation. The Township did not adjust these amounts against the General Fund balance on the December 31, 2018 and 2017 financial statements.

In accordance with the foregoing facts, we are issuing a finding for adjustment against the General Fund in favor of the Road and Bridge Fund, Road District Fund, and Gasoline Tax Fund in the amounts of \$24,762, \$26,886, and \$1,415 respectively.

We recommend the Township approve a resolution to pay Trustees by salary and specify that the Township will allocate salaries based on documentation the Trustees submit. In addition, the Trustees should submit to the Fiscal Officer, at least on an annual basis, documentation indicating the hours and type of service performed to support their salary allocation. Also the Township should establish procedures to timely post audit adjustments to ensure the Township’s financial records reflect their financial position.

Officials’ Response: Per audit report 2013-2014, the Monroe Township Trustees will be paid 12% General Fund, 19.50% Road District; 49% Gas Tax; 19.50 Road & Bridge Fund, this will free up some monies in the General Fund to do transfer at the end of the year. In 2020 the Trustee will request that the budget commission move the inside millage from road and bridge to General Fund and then the General Fund will transfer to Road & Bridge for reimbursement. At the end of the year the Trustees will transfer any extra money they have in the General Fund to the Special Revenue Funds. The Township is hoping to have everything paid back to the special revenue funds within three years.

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Monroe Township
Holmes County
12481 TR 217
Big Prairie, Ohio 44611
Linda Campbell, Fiscal Officer
330-231-0920
Monroetwp44654@yahoo.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting – Errors were noted in the financial statements.	Partially Corrected	The Township misposted some receipts during 2017 & 2018. However, the amounts were not qualitatively significant. The only misposting during 2018 was for fund balances. See management letter.

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OHIO AUDITOR OF STATE KEITH FABER



MONROE TOWNSHIP

HOLMES 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
APRIL 23, 2020**