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*ALGER & ASSOCIATES, Inc.*



*PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES*

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MONROE TOWNSHIP

HOLMES COUNTY, OHIO

**A&A**  
**REGULAR AUDIT**

For the Years Ended

December 31, 2020 and 2019

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OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

Board of Trustees  
Monroe Township  
12481 Township Road 217  
Big Prairie, Ohio 44611

We have reviewed the *Independent Auditor's Report* of Monroe Township, Holmes County, prepared by Alger & Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

May 18, 2021

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**MONROE TOWNSHIP  
HOLMES COUNTY**

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***ALGER & ASSOCIATES, Inc.***

***Certified Public Accountants***

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## INDEPENDENT AUDITOR'S REPORT

Monroe Township  
Holmes County  
12481 Twp. Rd 217  
Big Prairie, Ohio 44611

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, 2020 and 2019.

### ***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 *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 Township as of December 31, 2020 and 2019, 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 November 2004-036. The December 31, 2020 and 2019 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 balance at December 31, 2019 of (\$25,011) and at December 31, 2020 fund balance of a positive \$5,043. In addition, the effect would have resulted in Special Revenue Fund cash balances at December 31, 2020 and 2019 \$76,374 and \$74,276, 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, receipts and disbursements by fund type, and related notes of the Monroe Township, Holmes County as of December 31, 2020 and 2019, 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 2020's Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, as discussed in 2020's Note 13 to the financial statements, the Township adopted the change to their cash basis-reporting model of the fund balance classification presentation. We did not modify our opinion regarding these matters.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2021 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.

Karen S  
Alger, CPA



Digitally signed by Karen S Alger,  
CPA  
DN: cn=Karen S Alger, CPA,  
o=Alger & Associates, Inc, ou,  
email=kcalger46@att.net, c=US  
Date: 2021.04.30 15:18:08 -04'00'

**Alger & Associates, Inc.**  
Certified Public Accountants  
North Canton, Ohio

April 9, 2021

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$55,045	\$141,524	\$196,569
Intergovernmental	30,648	151,621	182,269
Earnings on Investments	25	7	32
Miscellaneous	21,022	-	21,022
<i>Total Cash Receipts</i>	<u>106,740</u>	<u>293,152</u>	<u>399,892</u>
<b>Cash Disbursements</b>			
Current:			
General Government	58,686	33,025	91,711
Public Works	-	218,422	218,422
Capital Outlay	18,000	24,083	42,083
Debt Service:			
Principal Retirement	-	12,362	12,362
Interest and Fiscal Charges	-	3,162	3,162
<i>Total Cash Disbursements</i>	<u>76,686</u>	<u>291,054</u>	<u>367,740</u>
<i>Net Change in Fund Cash Balances</i>	30,054	2,098	32,152
<i>Fund Cash Balances, January 1 - Restated (See Note 3)</i>	<u>(249)</u>	<u>49,514</u>	<u>49,265</u>
<i>Fund Cash Balances, December 31</i>	<u>\$29,805</u>	<u>\$51,612</u>	<u>\$81,417</u>

*See accompanying notes to the basic financial statements*

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**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Monroe Township, Holmes 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. Fire protection and emergency medical services are provided by the Holmes Fire District #1 and police protection by the Holmes County Sheriff.

***Jointly Governed Organizations***

The Township participates in Holmes Fire District No. 1, a jointly governed organization. Note 11 to the financial statement provide additional information for these entities.

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 are all organized on a fund type basis.

***Fund Accounting***

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

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

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

***Road and Bridge Fund*** The road and bridge fund accounts for property tax monies to pay for constructing, maintaining, and repairing Township roads.

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

***Road District Fund*** The road district fund accounts for property tax monies to pay for constructing, maintaining, and repairing Township roads.

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**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, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

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

***Encumbrances:*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 4.

***Deposits and Investments***

The Township pools all available funds of the Township in an interest-bearing checking account.

***Capital Assets***

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

***Accumulated Leave***

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

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

**Note 3 – Prior Period Adjustments**

During 2020, the Township adjusted the beginning fund balances to correct a portion of the Trustees’ compensation per the 2017-2018 audit. The adjustments had the following effects on fund balances at January 1, 2020.

	General	Revenue	Total
Fund Cash Balance			
December 31, 2019	\$ 21,637	\$ 27,628	\$ 49,265
2017-2018 Audit Adjustment	<u>(21,886)</u>	<u>21,886</u>	<u>-</u>
Adjusted Fund Cash Balance			
December 31, 2019	<u>\$ (249)</u>	<u>\$ 49,514</u>	<u>\$ 49,265</u>

**Note 4 – Budgetary Activity**

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

2020 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$88,705	\$106,740	\$18,035
Special Revenue	<u>302,315</u>	<u>293,152</u>	<u>(9,163)</u>
Total	<u>\$391,020</u>	<u>\$399,892</u>	<u>\$8,872</u>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$100,783	\$76,686	\$24,097
Special Revenue	<u>322,811</u>	<u>291,054</u>	<u>31,757</u>
Total	<u>\$423,594</u>	<u>\$367,740</u>	<u>\$55,854</u>

**Note 5 – Deposits and Investments**

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

	2020
<i>Cash Management Pool:</i>	
Demand deposits	<u>\$81,417</u>

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 5 – Deposits and Investments** *(continued)*

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Township has remitted all employee payroll withholdings.

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), 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.

**Note 6 – Property Taxes**

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

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

**Note 7 – Risk Management**

***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.

***Commercial Insurance***

***The Township has obtained commercial insurance for the following risks:***

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

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.



**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Township’s elected officials and 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, 2020.

**Note 9 – Postemployment Benefits**

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

**Note 10 – Debt**

Debt outstanding at December 31, 2020, was as follows:

General Obligation Bonds	Principal	Interest Rate
	\$55,845	3.25%

In 2018, the Township issued bonds in the amount of \$80,000 at 4.84% from First-Knox National Bank, Division of the Park National Bank. The bonds were obtained to purchase a 2018 Ford F-550. The bonds will be paid in semi-annual installments of \$7,762, 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.

***Amortization***

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

Year Ending	General
December 31:	Obligation
	Bonds
2021	\$15,524
2022	15,524
2023	15,524
2024	15,524
Total	\$62,096

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2020*

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**Note 11 - Jointly Governed Organizations**

The Holmes Fire District #1 is a jointly governed organization, created as a political subdivision pursuant to state statute. The Holmes Fire District #1 have five board members consisting of a representative from the subdivisions it serves: Hardy Township, Mechanic Township, Monroe Township, Millersburg Village. An additional member at large is appointed annually by a different subdivision member on a rotating basis. The district provides fire protection and EMS services within the District and by contract to areas outside the district. There is no cost associated with being a member of this fire district. The continued existence of Holmes Fire District #1 is not dependent on the Township's continued participation and no equity interest exists. During 2020, no monies were paid to Holmes Fire District #1.

The Township does not retain an ongoing financial interest or an ongoing financial responsibility with this organization

**Note 12 – Fund Balances**

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 13 – Change in Accounting Principle**

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

**Note 14 – COVID**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Note 15 – Subsequent Events**

On April 4, 2021, the Township made their final adjustment of \$24,762 against the General to the Road and Bridge Fund to accurately post a prior period finding for adjustment - trustee compensation.

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**Monroe Township**  
**Holmes County, Ohio**  
*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)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$49,556	\$134,685	\$184,241
Intergovernmental	30,092	125,874	155,966
Earnings on Investments	36	8	44
Miscellaneous	1,460	15,532	16,992
<i>Total Cash Receipts</i>	<u>81,144</u>	<u>276,099</u>	<u>357,243</u>
<b>Cash Disbursements</b>			
Current:			
General Government	63,812	16,638	80,450
Public Works	888	238,847	239,735
Conservation-Recreation	327	-	327
Capital Outlay		16,292	16,292
Debt Service:			
Principal Retirement	-	11,793	11,793
Interest and Fiscal Charges	-	3,731	3,731
<i>Total Cash Disbursements</i>	<u>65,027</u>	<u>287,301</u>	<u>352,328</u>
<i>Excess of Receipts Over Disbursements</i>	<u>16,117</u>	<u>(11,202)</u>	<u>4,915</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	85	-	85
<i>Total Other Financing Receipts</i>	<u>85</u>	<u>-</u>	<u>85</u>
<i>Net Change in Fund Cash Balances</i>	16,202	(11,202)	5,000
<i>Fund Cash Balances, January 1 - Restated (See Note 3)</i>	<u>5,435</u>	<u>38,830</u>	<u>44,265</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	27,628	27,628
Assigned	21,637	-	21,637
<i>Fund Cash Balances, December 31</i>	<u>\$21,637</u>	<u>\$27,628</u>	<u>\$49,265</u>

*See accompanying notes to the basic financial statements*

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**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Monroe Township, Holmes 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. Fire protection and emergency medical services are provided by the Holmes Fire District #1 and police protection by the Holmes County Sheriff.

***Jointly Governed Organizations***

The Township participates in Holmes Fire District No. 1, a jointly governed organization. Note 11 to the financial statement provide additional information for these entities.

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 are organized on a fund type basis.

***Fund Accounting***

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

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

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

***Road and Bridge Fund*** The road and bridge fund accounts for property tax monies to pay for constructing, maintaining, and repairing Township roads.

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

***Road District Fund*** The road district fund accounts for property tax monies to pay for constructing, maintaining, and repairing Township roads.

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year-end.

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

***Encumbrances:*** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 4.

***Deposits and Investments***

The Township pools all available funds of the Township in an interest-bearing checking account.

***Capital Assets***

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

***Accumulated Leave***

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

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**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 nonspendable when legally or contractually required to maintain the amounts intact.

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

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

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

***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.



**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 3 – Prior Period Adjustments**

During 2019, the Township adjusted the beginning fund balances to correct a portion of the Trustees' compensation per the 2017-2018 audit and to void a warrant for an invoice paid twice. The adjustments had the following effects on fund balances at January 1, 2019.

	General	Special Revenue	Total
Fund Cash Balance			
December 31, 2018	\$ 11,850	\$ 32,110	\$ 43,960
2017-2018 Audit Adjustment	(6,415)	6,415	-
Voided Warrant	-	305	305
Adjusted Fund Cash Balance			
December 31, 2018	<u>\$ 5,435</u>	<u>\$ 38,830</u>	<u>\$ 44,265</u>

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,668	\$81,229	\$4,561
Special Revenue	264,512	276,099	11,587
Total	<u>\$341,180</u>	<u>\$357,328</u>	<u>\$16,148</u>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,121	\$65,693	\$11,428
Special Revenue	296,623	291,064	5,559
Total	<u>\$373,744</u>	<u>\$356,757</u>	<u>\$16,987</u>

**Note 5 – Deposits and Investments**

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

Demand deposits	2019
	<u>\$49,265</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 6 – Property Taxes**

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

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

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

**Note 7 – Risk Management**

***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.

***Commercial Insurance***

The Township has obtained commercial insurance for the following risks:

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

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.

**Note 8 – Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

The Township's elected officials and 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.

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 9 – Postemployment Benefits**

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

**Note 10 – Debt**

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

	Principal	Interest Rate
General Obligation Bonds	\$68,207	4.84%

In 2018, the Township issued bonds in the amount of \$80,000 at 4.84% from First-Knox National Bank, Division of the Park National Bank. The bonds were obtained to purchase a 2018 Ford F-550. The bonds will be paid in semi-annual installments of \$7,762, 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.

***Amortization***

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

Year Ending December 31:	General Obligation Bonds
2020	\$15,524
2021	15,524
2022	15,524
2023	15,524
2024	15,524
Total	\$77,620

**Monroe Township**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

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**Note 11 - Jointly Governed Organizations**

The Holmes Fire District #1 is a jointly governed organization, created as a political subdivision pursuant to state statute. The Holmes Fire District #1 have five board members consisting of a representative from the subdivisions it serves: Hardy Township, Mechanic Township, Monroe Township, Millersburg Village. An additional member at large is appointed annually by a different subdivision member on a rotating basis. The district provides fire protection and EMS services within the District and by contract to areas outside the district. There is no cost associated with being a member of this fire district. The continued existence of Holmes Fire District #1 is not dependent on the Township's continued participation and no equity interest exists. During 2019, no monies were paid to Holmes Fire District #1.

The Township does not retain an ongoing financial interest or an ongoing financial responsibility with this organization.

**Note 12 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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***ALGER & ASSOCIATES, Inc.***

***Certified Public Accountants***

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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  
12481 Twp. Rd 217  
Big Prairie, Ohio 44611

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 the Monroe Township, Holmes County, Ohio (the Township) as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated April 9, 2021 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, during 2020 we noted the Township changed their cash basis-reporting model of the fund balance classification presentation as disclosed in Note 13 of the 2020 financial statements and as disclosed in Note 14 of the 2020 financial statement's footnotes, we noted the financial impact of COVID-19 and ensuing emergency measures on subsequent periods of the Township. However, prior period adjustments were not reflected in the beginning and ending fund balances of the December 31, 2020 and 2019 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) as a basis for designing 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 findings that we consider a material weakness. We consider finding 2020-001 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 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 2020-001.

### ***Township's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

### ***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.

**Karen S  
Alger, CPA**

Digitally signed by Karen S Alger,  
CPA  
DN: cn=Karen S Alger, CPA,  
o=Alger & Associates, Inc, ou,  
email=ksalger46@att.net, c=US  
Date: 2021.04.30 15:18:26 -04'00'

**Alger & Associates, Inc.**  
Certified Public Accountants  
North Canton, Ohio

April 9, 2021

**Monroe Township**  
**Holmes County**  
**Schedule of Findings**  
**December 31, 2020 and 2019**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b> <b>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2020-001**

**Noncompliance/Material Weakness – Accurate Posting of Township Trustee Compensation**

**Ohio Rev. Code § 505.24(C)** permits trustees 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 similar method of record keeping, as long as the Trustee documents time spent on 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 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 adjusted the amounts against the General Fund beginning fund balance on the December 31, 2019 in the amount of \$5,000 to the Road District fund and \$1,415 to the Gasoline Tax fund. The Township also adjusted the amounts against the General Fund beginning fund balance on the December 31, 2020 in the amount of \$21,886 to the Road District fund.

We recommend the Township allocate the remaining balance as noted above.

**Official’s Response:** The Township adjusted the remaining \$24,762 on April 4, 2021.



**Monroe Township**  
*Holmes County*

*Schedule of Prior Audit Findings  
December 31, 2020 and 2019*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2018-001	<p><b>Noncompliance/ Material Weakness – Finding for Adjustment- Township Trustee Compensation: Ohio Admin Code §505.24(C)</b> Trustee Compensation were paid out of restricted funds without proper supporting documentation.</p>	Partially	The Township has a payment plan in which General will reimburse to the special revenue funds within three years.

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# OHIO AUDITOR OF STATE KEITH FABER



**MONROE TOWNSHIP**

**HOLMES 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 6/1/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)