

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

*Financial Statements
(Audited)*

For the Years Ended
December 31, 2016 and 2015

DEBRA FARLEY, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Monroe Township
7621 Johnstown-Alexandria Road
Johnstown, Ohio 43031

We have reviewed the *Independent Auditor's Report* of Monroe Township, Licking County, prepared by Julian & Grube, Inc., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 14, 2017

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**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Monroe Township
Licking County
7621 Johnstown-Alexandria Road
Johnstown, Ohio 43031

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, Licking County, Ohio as of and for the years ended December 31, 2016 and 2015.

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 Monroe 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 Monroe Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 2 of the financial statements, Monroe 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 Monroe 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 Monroe Township as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monroe Township, Licking County, Ohio as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2015, Monroe Township changed its accounting basis from Governmental Accounting Standard No. 34 Basis Financial Statements - Cash Basis to the cash (regulatory) basis of accounting. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017, on our consideration of Monroe Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 12, 2017

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

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

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Local Taxes	\$ 145,482	\$ 1,464,118	\$ -	\$ -	\$ 1,609,600
Intergovernmental	40,644	287,050	237,326	-	565,020
Special assessments	-	22,413	-	-	22,413
Charges for services	-	744,671	-	-	744,671
Licenses, permits and fees	19,233	-	-	-	19,233
Earnings on Investments	4,655	187	16	16	4,874
Miscellaneous	20,625	59,610	-	-	80,235
Total cash receipts	<u>230,639</u>	<u>2,578,049</u>	<u>237,342</u>	<u>16</u>	<u>3,046,046</u>
Cash disbursements:					
Current:					
General Government	202,862	-	-	-	202,862
Public Safety	-	2,208,906	-	-	2,208,906
Public Works	1,458	185,935	-	-	187,393
Health	10,804	56,483	-	-	67,287
Capital Outlay	-	253,167	237,326	-	490,493
Debt service:					
Principal Retirement	4,900	107,196	-	-	112,096
Interest & Fiscal Charges	-	30,254	-	-	30,254
Total cash disbursements	<u>220,024</u>	<u>2,841,941</u>	<u>237,326</u>	<u>-</u>	<u>3,299,291</u>
Excess of receipts over (under) disbursements	<u>10,615</u>	<u>(263,892)</u>	<u>16</u>	<u>16</u>	<u>(253,245)</u>
Net change in fund cash balances	10,615	(263,892)	16	16	(253,245)
Fund cash balances, January 1, 2016	<u>18,214</u>	<u>2,291,587</u>	<u>8,738</u>	<u>8,253</u>	<u>2,326,792</u>
Fund cash balances December 31, 2016					
Restricted	-	2,027,695	8,754	8,269	2,044,718
Unassigned	28,829	-	-	-	28,829
Fund cash balances, December 31, 2016	<u>\$ 28,829</u>	<u>\$ 2,027,695</u>	<u>\$ 8,754</u>	<u>\$ 8,269</u>	<u>\$ 2,073,547</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash receipts:					
Local Taxes	\$ 141,309	\$ 1,422,325	\$ -	\$ -	\$ 1,563,634
Intergovernmental	41,449	285,681	-	-	327,130
Special assessments	-	22,985	-	-	22,985
Charges for services	-	960,270	-	-	960,270
Licenses, permits and fees	15,768	-	-	-	15,768
Earnings on Investments	2,260	75	9	17	2,361
Miscellaneous	-	87,948	-	-	87,948
Total cash receipts	<u>200,786</u>	<u>2,779,284</u>	<u>9</u>	<u>17</u>	<u>2,980,096</u>
Cash disbursements:					
Current:					
General Government	205,869	-	-	-	205,869
Public Safety	-	2,153,317	-	-	2,153,317
Public Works	55,270	100,455	-	-	155,725
Health	10,840	42,571	-	-	53,411
Capital Outlay	3,298	870,929	-	-	874,227
Debt service:					
Principal Retirement	-	30,258	-	-	30,258
Interest & Fiscal Charges	-	5,285	-	-	5,285
Total cash disbursements	<u>275,277</u>	<u>3,202,815</u>	<u>-</u>	<u>-</u>	<u>3,478,092</u>
Excess of receipts over (under) disbursements	<u>(74,491)</u>	<u>(423,531)</u>	<u>9</u>	<u>17</u>	<u>(497,996)</u>
Other financing receipts/(disbursements):					
Proceeds from sale of notes	-	85,000	-	-	85,000
Proceeds of lease purchase	-	500,000	-	-	500,000
Other uses	(2,101)	-	-	-	(2,101)
Total other financing receipts/(disbursements)	<u>(2,101)</u>	<u>585,000</u>	<u>-</u>	<u>-</u>	<u>582,899</u>
Net change in fund cash balances	(76,592)	161,469	9	17	84,903
Fund cash balances, January 1, 2015 (Restated)	<u>94,806</u>	<u>2,130,118</u>	<u>8,729</u>	<u>8,236</u>	<u>2,241,889</u>
Fund cash balances December 31, 2015					
Restricted	-	2,291,587	8,738	8,253	2,308,578
Unassigned	18,214	-	-	-	18,214
Fund cash balances, December 31, 2015	<u>\$ 18,214</u>	<u>\$ 2,291,587</u>	<u>\$ 8,738</u>	<u>\$ 8,253</u>	<u>\$ 2,326,792</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 - REPORTING ENTITY

Monroe Township, Licking County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statement are not misleading.

Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance and fire protection. Police protection is provided by the Licking County Sheriff's office.

Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organizations resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. Component units may also include organizations for which the Township authorized the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. The Township has no component units.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority

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.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 Fund:

Fire Fund The Fire fund accounts for and reports fire levy and contract restricted for fire services within the Township, and outside the Township, per contract.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Public Works Projects The Township received a grant from the State for capital improvements. The proceeds are restricted for capital improvement.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Township's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

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.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Budgetary Process

The Ohio Revised Code requires the Board to budget 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 cash as of January 1. The County Budget Commission must approve estimated resources.

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

A summary of 2016 and 2015 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

The Township records disbursements for acquisition 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.

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.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 - The Board can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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 the Board or a Township official delegated that authority by resolution, or by State Statute.

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

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

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$227,247	\$230,639	\$3,392
Special Revenue	2,852,285	2,578,049	(274,236)
Capital Projects	237,343	237,342	(1)
Permanent	16	16	0
Total	\$3,316,891	\$3,046,046	(\$270,845)

2016 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$238,460	\$221,156	\$17,304
Special Revenue	5,070,578	2,863,598	2,206,980
Capital Projects	246,073	237,326	8,747
Total	\$5,555,111	\$3,322,080	\$2,233,031

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 3 - BUDGETARY ACTIVITY - (Continued)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$232,838	\$200,786	(\$32,052)
Special Revenue	3,404,253	3,364,284	(39,969)
Capital Projects	14	9	(5)
Permanent	0	17	17
Total	\$3,637,105	\$3,565,096	(\$72,009)

2015 Budgeted vs. Actual Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$310,601	\$277,378	\$33,223
Special Revenue	5,512,436	3,206,358	2,306,078
Capital Projects	8,743	0	8,743
Total	\$5,831,780	\$3,483,736	\$2,348,044

NOTE 4 - DEPOSITS AND INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Demand Deposits	\$ 1,390,938	\$ 1,644,329
Certificates of Deposit	8,270	8,254
Total Deposits	1,399,208	1,652,583
STAR Ohio	674,339	674,209
Total Investments	674,339	674,209
Total Deposits and Investments	\$ 2,073,547	\$ 2,326,792

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

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

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 5 - PROPERTY TAXES

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

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

NOTE 6 - RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016 and 2015 (the latest information available):

	2016	2015
Assets	\$38,473,283	\$37,313,311
Liabilities	(8,244,140)	(8,418,518)
Net Position	<u>\$30,229,143</u>	<u>\$28,894,793</u>

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 6 - RISK MANAGEMENT - (Continued)

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 members and 989 member governments in the future, as of December 31, 2016 and 2015, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$15,000.

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

<u>2016</u>	<u>2015</u>
\$ 32,936	\$ 29,450

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS

There are 7 employees who 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016 and 2015.

Ohio Police and Fire Retirement System

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 11.50% for wages paid January 1, 2015 through June 30, 2015 and 12.25% for July 1, 2015 through December 31, 2016. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2016.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 8 - POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

NOTE 9 - DEBT

Debt outstanding at December 31, 2016 and 2015 was as follows:

<u>Description</u>	<u>Fund</u>	<u>Fund Type</u>	<u>Interest Rate</u>	<u>2016</u>	<u>2015</u>
2009 Fire Truck	Fire Special Levy Fund	Special Revenue	4.65%	\$ 87,247	\$ 113,784
Salt Building	Road & Bridge Fund	Special Revenue	4.65%	34,300	39,200
Road Equipment	Road & Bridge Fund	Special Revenue	3.25%	68,000	85,000
2015 Fire Truck	Fire Special Levy Fund	Special Revenue	3.44%	436,341	500,000
	Total			<u>\$ 625,888</u>	<u>\$ 737,984</u>

In 2009, general obligation note in the amount of \$250,000 from Heartland Bank was used to purchase a fire truck for fire services. Payments are made annually with 4.65% interest. The note is collateralized by the fire truck.

In 2013, a general obligation note in the amount of \$49,000 from the Heartland Bank was used to purchase a building for salt storage and related equipment for the Road and Bridge Fund. Payments are made annually with 4.65% interest. In 2015, all principal and interest was paid by the Road and Bridge fund. In 2016, the General Fund paid the principal amount while the Road and Bridge fund paid the interest due. The note is collateralized by the building.

In 2015, a general obligation note in the amount of \$85,000 from Heartland Bank was used to purchase a mower and related equipment from the Road and Bridge Fund. Payments are made annually with 3.25% interest.

In 2015, a lease purchase agreement was entered into with Park National Bank, in the amount of \$500,000, for a new fire truck and related equipment from the Fire Special Levy Fund. Payments are made annually with a 3.44% interest.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 9 - DEBT- (Continued)

Amortization

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

Year Ending December 31	Notes
2017	\$ 145,320
2018	144,539
2019	143,759
2020	111,151
2021	93,647
2022 - 2023	<u>53,394</u>
Total	<u>\$ 691,810</u>

NOTE 10 - CONTINGENT LIABILITIES

The Township is not currently involved in any litigation.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE/ACCOUNTING BASIS

The Township changed its accounting basis from GASB – cash basis to the cash (regulatory) basis of accounting. It had the following effect on fund balances at January 1, 2015:

Governmental Types:	Fire & Rescue						
	General	Fire Special Levy	Ambulance EMS Service	Other Governmental	Special Revenue	Capital Projects	Permanent
December 31, 2014	\$ 94,806	\$ 1,890,663	\$ 89,564	\$ 166,855	\$ -	\$ -	\$ -
Reclass	-	(1,890,663)	(89,564)	(166,855)	2,130,118	8,729	8,236
January 1, 2015	<u>\$ 94,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,130,118</u>	<u>\$ 8,729</u>	<u>\$ 8,236</u>



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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
Licking County
7621 Johnstown-Alexandria Road
Johnstown, Ohio 43031

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, Licking County, Ohio as of and for the years ended December 31, 2016 and December 31, 2015, and the related notes to the financial statements and have issued our report thereon dated May 12, 2017, wherein we noted as stated in Note 11 Monroe Township changed its accounting basis from Governmental Accounting Standard No. 34 *Basic Financial Statements – Cash Basis* to the cash (regulatory) basis of accounting and followed reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Monroe Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of Monroe 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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Monroe 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 and responses that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Board of Trustees
Monroe Township

Compliance and Other Matters

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

Monroe Township's Response to Finding

Monroe Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Monroe Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
May 12, 2017

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Financial Reporting – Material Weakness

A critical part of financial reporting is to maintain internal controls to help ensure the proper reporting of financial statement amounts.

We identified misstatements in the financial statements and notes to the financial statements for the years under audit that were not initially identified by the Township’s internal controls.

The Township had the following audit adjustments necessary to properly record activity in 2016.

- Increase Fire and Rescue, Ambulance and EMS fund cash and intergovernmental receipts in the amount of \$4,500 to properly post EMS grant monies.
- Decrease Fire Special levy fund cash and intergovernmental receipts in the amount of \$4,500 to properly post EMS grant monies.
- Increase Gasoline Tax Fund cash and intergovernmental receipts in the amount of \$4,762 to properly post gas tax monies distributed from the state.
- Decrease Fire and Rescue, Ambulance and EMS fund cash and charges for services receipts in the amount of \$4,762 to properly post gas tax monies.
- Reclass fire contract receipts in the Fire Special Levy Fund from intergovernmental receipts to charges for services in the amount of \$334,372.
- Reclass of principal and interest in the Road and Bridge Fund, from other capital outlay disbursements in the amount of \$18,381. Principal amount is \$17,000, and the interest portion is \$1,381.
- Reclass of principal and interest in the Fire Special Levy Fund, from other capital outlay disbursements in the amount of \$117,246. Principal amount is \$90,196 and the interest portion is \$27,050.
- Reclass of principal in the general fund, from other capital outlay disbursements in the amount of \$4,900. Reclass of interest payments in the Cemetery Fund, from other expenditures in the amount of \$1,823.

The Township had the following audit adjustments necessary to properly record activity in 2015.

- Reclass homestead and roll back receipts in the General Fund from tax receipts to intergovernmental receipts in the amount of \$17,943.
- Reclass homestead and roll back receipts in the Fire Special Levy Fund from tax receipts to intergovernmental receipts in the amount of \$171,011.
- Reclass of homestead and roll back receipts in the Road and Bridge Fund from tax receipt to intergovernmental receipts in the amount of \$9,152.
- Reclass of principal and interest disbursements in the Fire Special Levy Fund from Public Safety disbursements in the amount of \$28,593. Principal amount is \$25,358, and the interest portion is \$3,235.
- Reclass of proceeds of notes in Fire Special Levy Fund from miscellaneous receipts to other debt proceeds receipts in the amount of \$500,000.
- Increase Gasoline Tax Fund cash and intergovernmental receipts in the amount of \$7,163 to properly post gas tax monies and reclassify as intergovernmental rather than charges for services.
- Decrease Fire and Rescue, Ambulance and EMS Fund cash and charges for services receipts in the amount of \$7,163 to properly post Gas tax monies distributed from the state.
- Reclass of principal and interest disbursements in the Road and Bridge Fund from Capital Outlay disbursements in the amount of \$6,950. Principal amount is \$4,900 and the interest portion is \$2,050.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-001 - (Continued)

Financial Reporting – Material Weakness (Continued)

Certain note disclosures were modified and updated from the Township’s Hinkle filing.

The Township’s records have been adjusted to reflect these adjustments.

Improper posting of receipts could mislead the Trustee’s and Township citizens as improper financial reporting may misrepresent individual fund balances and possibly misrepresent budget and planning reports.

We recommend that the Township implement additional internal controls to help ensure receipts and disbursements are properly recorded and reflected in the Township’s records. We further recommend the Township implement additional internal controls over financial reporting to help ensure accurate financial reports throughout the year and at year end. We also recommend the Township consult their auditors, local government services or UAN for proper posting of transactions if questions arise.

Client Response: The Township will attempt to properly post all transactions in the future. The Fiscal Officer will consult the Township Handbook and/or a consulting firm when unusual/or infrequent transactions occur. Further, the Township will consider obtaining an additional review of financial statements and notes prior to submitting to the Hinkle system.

**MONROE TOWNSHIP
LICKING COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-001	2012	<u>Material Weakness - Financial Reporting</u> - The Township had audit adjustments necessary to properly record activity in 2013 and 2014.	No	Repeated as finding 2016-001; the Township had to make adjustments in the current audit period to properly record activity.
2014-002	2014	<u>Non-Compliance - Appropriation Amendment</u> - The Township's fiscal officer amended appropriations in the UAN system without the approval of the Board of Trustees during 2013 and 2014 resulting in the Township materially misstated budgetary statements.	Yes	N/A

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Dave Yost • Auditor of State

MONROE TOWNSHIP

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 27, 2017**