

MONROE TOWNSHIP
LOGAN COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2017 and 2016



Dave Yost • Auditor of State

Board of Trustees
Monroe Township
6400 County Road 28
Zanesfield, Ohio 43360

We have reviewed the *Independent Auditor's Report* of Monroe Township, Logan County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2016 through December 31, 2017. 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 19, 2018

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Monroe Township
Logan County, Ohio

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INDEPENDENT AUDITOR'S REPORT

Monroe Township
Logan County, Ohio
6400 County Road 28
Zanesfield, Ohio 43360

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, Logan County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions that Ohio Revised Code Section 117.38 and Ohio Administrative 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 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, 2017 and 2016, 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, Logan County, as of December 31, 2017 and 2016, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2018, 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.

Van Kleevel & Company

Monroe Township
Logan 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, 2017

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 85,011 | \$ 119,913 | \$ - | \$ 204,924 |
| Charges for Services | | 875 | - | 875 |
| Licenses, Permits, and Fees | 4,611 | | | 4,611 |
| Intergovernmental Receipts | 29,735 | 113,926 | 43,541 | 187,202 |
| Earnings on Investments | 345 | 4,401 | | 4,746 |
| Miscellaneous | 550 | 2,235 | | 2,785 |
| Total Cash Receipts | <u>120,252</u> | <u>241,350</u> | <u>43,541</u> | <u>405,143</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 46,255 | 37,966 | | 84,221 |
| Public Safety | 51,382 | - | | 51,382 |
| Public Works | | 28,214 | 43,541 | 71,755 |
| Health | | | | - |
| Other | | | | - |
| Capital Outlay | | 35,699 | | 35,699 |
| Total Cash Disbursements | <u>97,637</u> | <u>101,879</u> | <u>43,541</u> | <u>243,057</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>22,615</u> | <u>139,471</u> | <u>-</u> | <u>162,086</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Sale of Capital Assets | | 8,750 | | 8,750 |
| Total Other Financing Receipts/(Disbursements) | <u>-</u> | <u>8,750</u> | <u>-</u> | <u>8,750</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>22,615</u> | <u>148,221</u> | <u>-</u> | <u>170,836</u> |
| Fund Cash Balances, January 1 | <u>147,604</u> | <u>647,939</u> | <u>19,859</u> | <u>815,402</u> |
| Fund Cash Balances, December 31 | <u>\$ 170,219</u> | <u>\$ 796,160</u> | <u>\$ 19,859</u> | <u>\$ 986,238</u> |
| Restricted | | 796,160 | 5,500 | 801,660 |
| Committed | | | 14,359 | 14,359 |
| Assigned | 170,219 | | | 170,219 |
| Unassigned | - | | | - |
| Fund Cash Balances, December 31 | <u>\$ 170,219</u> | <u>\$ 796,160</u> | <u>\$ 19,859</u> | <u>\$ 986,238</u> |

Monroe Township
Logan County, Ohio
Notes to the Financial Statements
December 31, 2017

NOTE 1 REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of Monroe Township, Logan County, (the Township) as a body corporate and politic. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of West Liberty to provide fire and ambulance services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B 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:

1 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.

2 Special Revenue Funds

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

Monroe Township
Logan County, Ohio
Notes to the Financial Statements
December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B Fund Accounting (continued)

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

Road and Bridge Fund – This fund accounts for and reports that portion of property tax monies for constructing, maintaining and repairing Township roads and bridges.

Road 4 Special Levy Fund – This fund accounts for and reports property tax monies from a road levy passed in 1999 and renewed in 2014 to pay for constructing, maintaining and repairing Township roads.

3 Capital Projects 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:

County Sales Tax Fund – The Township is allocated a portion of the sales tax revenues collected by Logan County and spent on behalf of the Township by the County to maintain roads.

C 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.

D Budgetary Process

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

1 Appropriations

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

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Budgetary Process (continued)

2 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 also approve estimated resources.

3 Encumbrances

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

A summary of the 2017 budgetary activity appears in Note 3.

E Deposits and Investments

The Township's accounting basis includes investment 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.

All available funds of the Township are in an interest bearing checking account and certificates of deposits.

F 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.

G 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.

H Fund Balance

Fund balance is divided into five classifications, based primarily on the extent to which the Township must observe constraints upon the use of its governmental-fund resources. The classifications are as follows:

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H Fund Balance (continued)

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

Restricted – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by credits (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 the 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
Logan County, Ohio
Notes to Financial Statements
December 31, 2017

NOTE 3 BUDGETARY ACTIVITY

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

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 93,107 | \$ 120,252 | \$ 27,145 |
| Special Revenue | 214,500 | 250,100 | 35,600 |
| Capital Projects | 43,541 | 43,541 | - |
| Totals | \$ 351,148 | \$ 413,893 | \$ 62,745 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 240,711 | \$ 97,711 | \$ 143,000 |
| Special Revenue | 658,759 | 105,814 | 552,945 |
| Capital Projects | 63,401 | 43,541 | 19,860 |
| Totals | \$ 962,871 | \$ 247,066 | \$ 715,805 |

NOTE 4 DEPOSITS

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

| <u>2017</u> | |
|-------------------------|------------------|
| Demand Deposits | \$778,484 |
| Certificates of Deposit | <u>207,754</u> |
| Total Deposits | <u>\$986,238</u> |

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

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2017

NOTE 5 TAXES

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.

Public utilities are also taxed on personal 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 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 Worker's 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, 2017 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.

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2017

NOTE 6 RISK MANAGEMENT (continued)

Financial Position

OTARMA's financial statement (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

| | <u>2017</u> |
|--------------|----------------------|
| Assets | \$ 40,010,732 |
| Liabilities | <u>\$ 8,675,465</u> |
| Net Position | <u>\$ 31,335,267</u> |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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.

2017 Contributions to OTARMA \$4,362

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.

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2017

NOTE 7 DEFINED BENEFIT PENSION PLANS

The Township's officials and part-time 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. For 2017, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

NOTE 8 POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit post-employment 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 or OPERS members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017.

Monroe Township
Logan 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, 2016

| | <u>Governmental Fund Types</u> | | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|-----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | |
| Cash Receipts: | | | | |
| Property and Other Local Taxes | \$ 70,538 | \$ 107,192 | \$ - | \$ 177,730 |
| Charges for Services | | | - | - |
| Licenses, Permits, and Fees | 1,896 | - | | 1,896 |
| Intergovernmental Receipts | 28,505 | 111,821 | 37,624 | 177,950 |
| Earnings on Investments | 340 | 3,358 | | 3,698 |
| Miscellaneous | 159 | 704 | | 863 |
| Total Cash Receipts | <u>101,438</u> | <u>223,075</u> | <u>37,624</u> | <u>362,137</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| General Government | 48,575 | 32,389 | | 80,964 |
| Public Safety | 51,242 | - | | 51,242 |
| Public Works | | 164,798 | 37,624 | 202,422 |
| Human Services | | 100 | | 100 |
| Capital Outlay | | | | - |
| Total Cash Disbursements | <u>99,817</u> | <u>197,287</u> | <u>37,624</u> | <u>334,728</u> |
| Total Cash Receipts Over/(Under) Cash Disbursements | <u>1,621</u> | <u>25,788</u> | <u>-</u> | <u>27,409</u> |
| Other Financing Receipts/(Disbursements): | | | | |
| Other Financing Uses | | (225) | | (225) |
| Total Other Financing Receipts/(Disbursements) | <u>-</u> | <u>(225)</u> | <u>-</u> | <u>(225)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>1,621</u> | <u>25,563</u> | <u>-</u> | <u>27,184</u> |
| Fund Cash Balances, January 1 | <u>145,983</u> | <u>622,376</u> | <u>19,859</u> | <u>788,218</u> |
| Fund Cash Balances, December 31 | <u>\$ 147,604</u> | <u>\$ 647,939</u> | <u>\$ 19,859</u> | <u>\$ 815,402</u> |
| Restricted | | 647,939 | 5,500 | 653,439 |
| Committed | | | 14,359 | 14,359 |
| Assigned | 147,604 | | | 147,604 |
| Unassigned | - | | | - |
| Fund Cash Balances, December 31 | <u>\$ 147,604</u> | <u>\$ 647,939</u> | <u>\$ 19,859</u> | <u>\$ 815,402</u> |

Monroe Township
Logan County, Ohio
Notes to the Financial Statements
December 31, 2016

NOTE 1 REPORTING ENTITY

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The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Basis of Presentation

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B 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:

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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.

2 Special Revenue Funds

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

Monroe Township
Logan County, Ohio
Notes to the Financial Statements
December 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B Fund Accounting (continued)

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

Road and Bridge Fund – This fund accounts for and reports that portion of property tax monies for constructing, maintaining and repairing Township roads.

Road 4 Special Levy Fund – This fund accounts for and reports property tax monies from a road levy passed in 1999 and renewed in 2014 to pay for constructing, maintaining and repairing Township roads.

3 Capital Projects 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:

County Sales Tax Fund – The Township is allocated a portion of the sales tax revenues collected by Logan County and spent on behalf of the Township by the County for maintaining and repairing Township roads.

C 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.

D Budgetary Process

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

1 Appropriations

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

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D Budgetary Process (continued)

2 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 also approve estimated resources.

3 Encumbrances

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

A summary of the 2016 budgetary activity appears in Note 3.

E Deposits and Investments

The Township's accounting basis includes investment 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.

All available funds of the Township are in an interest bearing checking account and certificates of deposits.

F 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.

G 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.

H 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:

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H Fund Balance (continued)

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

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by credits (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 the 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
Logan County, Ohio
Notes to Financial Statements
December 31, 2016

NOTE 3 BUDGETARY ACTIVITY

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

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 92,724 | \$ 101,438 | \$ 8,714 |
| Special Revenue | 211,500 | 223,075 | 11,575 |
| Capital Projects | 37,624 | 37,624 | - |
| Totals | \$ 341,848 | \$ 362,137 | \$ 20,289 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 238,708 | \$ 99,817 | \$ 138,891 |
| Special Revenue | 679,336 | 197,512 | 481,824 |
| Capital Projects | 57,483 | 37,624 | 19,859 |
| Totals | \$ 975,527 | \$ 334,953 | \$ 640,574 |

NOTE 4 DEPOSITS

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

| | <u>2016</u> |
|-------------------------|------------------|
| Demand Deposits | \$611,722 |
| Certificates of Deposit | <u>203,680</u> |
| Total Deposits | <u>\$815,402</u> |

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

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2016

NOTE 5 TAXES

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.

Public utilities are also taxed on personal 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 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 Worker's 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.

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2016

NOTE 6 RISK MANAGEMENT (continued)

Financial Position

OTARMA's financial statement (audited by other accountants) conform with generally accepted accounting principles and reported the following assets, liabilities and retained earnings at December 31, 2016.

| | <u>2016</u> |
|--------------|----------------------|
| Assets | \$ 38,473,283 |
| Liabilities | <u>\$ 8,244,140</u> |
| Net Position | <u>\$ 30,229,143</u> |

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. 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 \$2,000.

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.

2016 Contributions to OTARMA \$4,295

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.

Monroe Township
Logan County, Ohio
Notes to Financial Statements
December 31, 2016

NOTE 7 DEFINED BENEFIT PENSION PLANS

The Township's officials and part-time 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. For 2016, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

NOTE 8 POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit post-employment 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 or OPERS members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016.

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

Monroe Township
Logan County, Ohio
6400 County Road 28
Zanesfield, Ohio 43360

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, Logan County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 20, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. According, 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 charges 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2017-001 to be a significant deficiency.

Monroe Township
Logan County, Ohio
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

Compliance and Other Matters

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

Purpose of this Report

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

Van Knevel + Company

Dublin, Ohio

June 20, 2018

Monroe Township
Logan County
Schedule of Findings
December 31, 2017 and 2016

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

Finding Number 2017-001

Significant Deficiency

Government Accounting Standards Board (GASB) Statement No. 54 for Fund Balance Reporting (as discussed in AOS Bulletin 2011-004) defines the fund balance classifications related to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned. This Statement requires that when the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. Stated differently, if appropriations (temporary or annual) exceed estimated receipts (not resources), the excess is to be assigned as if uses existing fund balance at year-end. This would be applicable to the General Fund as it is the only fund with a positive unassigned fund balance.

The Township did not include the excess of appropriations to estimated receipts as an assigned fund balance in the General Fund at December 31, 2017 and 2016. This resulted in an adjustment of \$170,219 and \$147,604 at December 31, 2017 and 2016, respectively, from unassigned to assigned fund balance. As a result, audit adjustments, to which management has agreed, are reflected in the accompanying financial statements.

We recommend that the Township report fund balances on their financial statements in accordance with GASB Statement No. 54. The Township may review Auditor of State Bulletin 2011-004 for further guidance on classifying the Township's fund balances and properly reporting fund balances in their annual financial statements.

Official's Response: We did not receive a response from Officials to this finding.

Monroe Township
Logan County
Summary of Prior Audit Findings
December 31, 2017 and 2016

| <u>Finding No</u> | <u>Description</u> | <u>Corrected</u> |
|----------------------|---|--|
| Finding No. 2015-001 | Account Reclassifications | Yes |
| Finding No. 2015-002 | Supporting Documentation-Payroll Allocation | Yes |
| Finding No. 2015-003 | GASB 54 Fund Classifications | Partially, Repeated As Finding 2017-001 |



Dave Yost • Auditor of State

MONROE TOWNSHIP

LOGAN 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
AUGUST 2, 2018**