



**MONROE TOWNSHIP
CLERMONT COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
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749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

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Dave Yost • Auditor of State

Board of Trustees
Monroe Township
2828 St. Rt. 222
Bethel, Ohio 45106

We have reviewed the *Independent Auditor's Report* of Monroe Township, Clermont County, prepared by Perry & Associates, Certified Public Accountants, A.C., 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

On April 5, 2017 the Monroe Township, Clermont County Board of Trustees passed Resolution 17-047 to increase the pay scale by 2% for the employment positions of part-time EMT/Firefighter, part-time EMT-Intermediate/Firefighter, and part-time Paramedic/Firefighter effective the date of passage. The Township Fire Chief is a full-time employee covered by a union contract. The union contract states that for 2017 the rate of pay is \$14.77 per hour. From pay period starting April 9, 2017 through the end of 2017, the Fire Chief, Greg Lang was paid at a rate of \$15.07 per hour, which was a 2% increase from the rate in the union contract. The Resolution increased salaries for part-time positions, but did not increase the salary of the Fire Chief. This incorrect rate resulted in Mr. Lang being overpaid by \$846.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is issued against Greg Lang, in the amount of \$846, and in favor of the Monroe Township, Clermont County's Fire Department fund in the amount of \$462 and the Life Squad fund in the amount of \$384.

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

December 3, 2018

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MONROE TOWNSHIP
CLERMONT COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017	3
Notes to the Financial Statements For the Year Ended December 31, 2017	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	12
Notes to the Financial Statements For the Year Ended December 31, 2016	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Audit Findings	23

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INDEPENDENT AUDITOR'S REPORT

October 29, 2018

Monroe Township
Clermont County
2828 State Route 222
Bethel, Ohio 45106

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**, Clermont County, (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 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 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.

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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 cash balances, receipts and disbursements by fund type, and related notes of Monroe Township, Clermont County as of December 31, 2017 and 2016, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MONROE TOWNSHIP
CLERMONT COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 117,319	\$ 1,140,486	\$ -	\$ 1,257,805
Charges for Services	-	213,497	-	213,497
Licenses, Permits and Fees	37,533	-	-	37,533
Intergovernmental	75,542	273,100	-	348,642
Earnings on Investments	2,992	1,616	-	4,608
Miscellaneous	14,727	48,390	-	63,117
<i>Total Cash Receipts</i>	<u>248,113</u>	<u>1,677,089</u>	<u>-</u>	<u>1,925,202</u>
Cash Disbursements				
Current:				
General Government	198,515	608,680	-	807,195
Public Safety	270	736,033	-	736,303
Public Works	-	289,370	-	289,370
Health	10,598	27,866	-	38,464
Human Services	-	21,319	-	21,319
Conservation-Recreation	17,216	-	-	17,216
Capital Outlay	-	55,310	2,960	58,270
Debt Service:				
Principal Retirement	-	16,775	-	16,775
Interest and Fiscal Charges	1	2,250	-	2,251
<i>Total Cash Disbursements</i>	<u>226,600</u>	<u>1,757,603</u>	<u>2,960</u>	<u>1,987,163</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,513</u>	<u>(80,514)</u>	<u>(2,960)</u>	<u>(61,961)</u>
Other Financing Receipts (Disbursements)				
Advances In	-	100,000	-	100,000
Advances Out	-	(100,000)	-	(100,000)
Other Financing Sources	-	33,710	-	33,710
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>33,710</u>	<u>-</u>	<u>33,710</u>
<i>Net Change in Fund Cash Balances</i>	<u>21,513</u>	<u>(46,804)</u>	<u>(2,960)</u>	<u>(28,251)</u>
<i>Fund Cash Balances, January 1</i>	<u>33,068</u>	<u>1,013,655</u>	<u>70,668</u>	<u>1,117,391</u>
Fund Cash Balances, December 31				
Restricted	-	966,339	67,708	1,034,047
Committed	-	512	-	512
Unassigned	54,581	-	-	54,581
<i>Fund Cash Balances, December 31</i>	<u>\$ 54,581</u>	<u>\$ 966,851</u>	<u>\$ 67,708</u>	<u>\$ 1,089,140</u>

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

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monroe Township, Clermont 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clermont County Sherriff's Office to provide police protection.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 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

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.

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 Department Fund – This fund receives property tax money for providing fire safety to the Township.

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 Special Revenue Fund:

Public Works Commission Project Fund – This fund is used for the activity of the project to re-route North Altman Road.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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 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 re-appropriated.

A summary of 2017 budgetary activity appears in Note 4.

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 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
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Department and Fire and Rescue, Ambulance, and EMS Funds for the year ended December 31, 2017.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 4 – 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	\$ 249,640	\$ 248,113	\$ (1,527)
Special Revenue	1,672,094	1,810,799	138,705
Capital Projects	-	-	-
Total	\$ 1,921,734	\$ 2,058,912	\$ 137,178

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 272,236	\$ 240,856	\$ 31,380
Special Revenue	2,040,656	1,912,746	127,910
Capital Projects	2,960	2,960	-
Total	\$ 2,315,852	\$ 2,156,562	\$ 159,290

Note 5 – 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:

	2017
Demand deposits	\$ 583,322
Total deposits	583,322
STAR Ohio	252,964
STAR Ohio Plus	252,854
Total investments	505,818
Total deposits and investments	\$ 1,089,140

Deposits

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

Investments

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

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 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.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 6 – Property Taxes (Continued)

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 – Interfund Balances

Outstanding advances at December 31, 2017, consisted of \$29,500 advanced to the Fire Department Fund from the Fire and Rescue, Ambulance, and EMS Fund in 2014 to cover fire related expenses.

Note 8 - 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.

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, 2017.

	2017
Assets	\$ 40,010,732
Liabilities	8,675,465
Net Position	\$ 31,335,267

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 8 - Risk Management (Continued)

Financial Position (Continued)

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 \$11,000.

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

\$26,036

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 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Ten employees contributed 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%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

Nine of the Township's certified fire fighters contributed to the Ohio 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 12.25% of their wages. 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, 2017.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 9 - Defined Benefit Pension Plans (Continued)

Social Security

Twenty-three of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 10 – 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 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Leases

The Township leases vehicles under non-cancelable leases. The Township disbursed \$19,025 to pay lease costs for the year ended December 31, 2017 out of the Life Squad and Fire and Rescue, Ambulance and EMS Funds.

Amortization

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

Year Ending December 31:	Leases
2018	\$ 8,184
2019	8,184
2020	8,184
2021	8,184
Total	\$ 32,736

Note 12 – Construction and Contractual Commitments

North Altman Road

Fund 4401 - Public Works Commission Project to re-route North Altman Road has been work in process since 2014. The Township was to receive a grant and provide matching funds. The original amount set aside for the project was \$94,580. As of January 1, 2017, the balance was \$70,668. During 2017 \$2,960 was disbursed for final plans and advertising to solicit bids. The final bids all required matching funds for the grant that were significantly higher than the Township held, so the project has been cancelled. The remaining cash will be returned to Fund 2031 in fiscal year 2018.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2017
(Continued)

Note 13 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 14 – Public Entity Risk Pool

As described in Note 8, the Township participates in OTARMA, a public entity risk pool. OTARMA is governed by a seven member board of directors consisting of the executive director of the Ohio Township Association and township trustees, fiscal officers, and administrators.

**MONROE TOWNSHIP
CLERMONT COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 128,007	\$ 983,887	\$ -	\$ 1,111,894
Charges for Services	-	206,737	-	206,737
Licenses, Permits and Fees	37,506	-	-	37,506
Intergovernmental	74,359	600,552	-	674,911
Earnings on Investments	1,485	892	-	2,377
Miscellaneous	11,691	74,726	-	86,417
<i>Total Cash Receipts</i>	<u>253,048</u>	<u>1,866,794</u>	<u>-</u>	<u>2,119,842</u>
Cash Disbursements				
Current:				
General Government	183,694	1,069,521	-	1,253,215
Public Safety	-	320,171	-	320,171
Public Works	-	228,968	-	228,968
Health	26,925	17,948	-	44,873
Human Services	-	1,560	-	1,560
Conservation-Recreation	12,040	-	-	12,040
Capital Outlay	-	384,602	-	384,602
Debt Service:				
Principal Retirement	-	9,650	-	9,650
Interest and Fiscal Charges	-	1,191	-	1,191
<i>Total Cash Disbursements</i>	<u>222,659</u>	<u>2,033,611</u>	<u>-</u>	<u>2,256,270</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,389</u>	<u>(166,817)</u>	<u>-</u>	<u>(136,428)</u>
Other Financing Receipts & Disbursements				
Other Financing Sources	4,809	-	-	4,809
Other Financing Uses	(132)	-	-	(132)
<i>Total Other Financing Receipts & Disbursements</i>	<u>4,677</u>	<u>-</u>	<u>-</u>	<u>4,677</u>
<i>Net Change in Fund Cash Balances</i>	<u>35,066</u>	<u>(166,817)</u>	<u>-</u>	<u>(131,751)</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 15)</i>	<u>(1,998)</u>	<u>1,180,472</u>	<u>70,668</u>	<u>1,249,142</u>
Fund Cash Balances, December 31				
Restricted	-	1,013,655	70,668	1,084,323
Assigned	22,596	-	-	22,596
Unassigned	10,472	-	-	10,472
<i>Fund Cash Balances, December 31</i>	<u>\$ 33,068</u>	<u>\$ 1,013,655</u>	<u>\$ 70,668</u>	<u>\$ 1,117,391</u>

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

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monroe Township, Clermont 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clermont County Sherriff's Office to provide police protection.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 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

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.

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 Department Fund – This fund receives property tax money for providing fire safety to the Township.

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 Special Revenue Fund:

Public Works Commission Project Fund – This fund is used for the activity of the project to re-route North Altman Road.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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 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 re-appropriated.

A summary of 2016 budgetary activity appears in Note 4.

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 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
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Motor Vehicle License Tax, Cemetery, and Special Levy Combined Safety Service Funds for the year ended December 31, 2016. Also contrary to Ohio law, appropriations exceeded estimated resources in the General, Miscellaneous Special Revenue, and Public Works Commission Project Funds for the year ended December 31, 2016.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 4 – 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	\$ 216,883	\$ 257,857	\$ 40,974
Special Revenue	1,835,800	1,866,794	30,994
Capital Projects	-	-	-
Total	\$ 2,052,683	\$ 2,124,651	\$ 71,968

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 246,472	\$ 227,926	\$ 18,546
Special Revenue	2,315,376	2,071,991	243,385
Capital Projects	79,835	-	79,835
Total	\$ 2,641,683	\$ 2,299,917	\$ 341,766

Note 5 – 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:

	2016
Demand deposits	\$ 616,117
Total deposits	616,117
STAR Ohio	250,281
STAR Ohio Plus	250,993
Total investments	501,274
Total deposits and investments	\$ 1,117,391

Deposits

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

Investments

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

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 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.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 6 – Property Taxes (Continued)

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 – Interfund Balances

Outstanding advances at December 31, 2016, consisted of \$29,500 advanced to the Fire Department Fund from the Fire and Rescue, Ambulance, and EMS Fund in 2014 to cover fire related expenses.

Note 8 - 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.

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.

	2016
Assets	\$ 38,473,283
Liabilities	8,244,140
Net Position	\$ 30,229,143

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 8 - Risk Management (Continued)

Financial Position (Continued)

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 \$11,000.

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
\$23,521

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 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Ten employees contributed 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%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

Six of the Township's certified fire fighters contributed to the Ohio 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 12.25% of their wages. 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
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 9 - Defined Benefit Pension Plans (Continued)

Social Security

Forty-two of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 10 – 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 11 – Debt

Leases

The Township leases vehicles under non-cancelable leases. The Township disbursed \$10,841 to pay lease costs for the year ended December 31, 2016 out of the Life Squad Fund.

Amortization

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

Year Ending December 31:	Leases
2017	\$ 10,841
Total	<u>\$ 10,841</u>

Note 12 – Construction and Contractual Commitments

North Altman Road

Fund 4401 - Public Works Commission Project to re-route North Altman Road has been work in process since 2014. The Township was to receive a grant and provide matching funds. The original amount set aside for the project was \$94,580. As of January 1, 2016, the balance was \$70,668. No disbursements were made from this fund in 2016.

Note 13 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

MONROE TOWNSHIP
CLERMONT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2016
(Continued)

Note 14 – Public Entity Risk Pool

As described in Note 8, the Township participates in OTARMA, a public entity risk pool. OTARMA is governed by a seven member board of directors consisting of the executive director of the Ohio Township Association and township trustees, fiscal officers, and administrators.

Note 15 – Restatement of Fund Balances

The Township’s fund cash balances at January 1, 2016 have been restated for an unallowable advance in the prior year, a Zoning Fund included in Special Revenue, and a voided check. These adjustments resulted in the following changes in fund balances at January 1, 2016:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Fund Balance at December 31, 2015 as Previously Reported	\$ 15,616	\$ 1,162,751	\$ 70,668	\$ 1,249,035
Adjustment for Unallowable Advance	(20,000)	20,000	-	-
Adjustment for Zoning Fund	2,279	(2,279)	-	-
Adjustment for Voided Check	107	-	-	107
Fund Balance January 1, 2016 as Restated	<u>\$ (1,998)</u>	<u>\$ 1,180,472</u>	<u>\$ 70,668</u>	<u>\$ 1,249,142</u>



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Cambridge, OH 43725
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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*

October 29, 2018

Monroe Township
Clermont County
2828 State Route 222
Bethel, Ohio 45106

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**, Clermont County, (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 October 29, 2018, 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.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

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 the Township's financial statements. We consider findings 2017-001 through 2017-003 described in the accompanying schedule of audit findings to be material weaknesses.

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Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-004 through 2017-008 described in the accompanying schedule of audit findings to be significant deficiencies.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2017-003 and 2017-005 through 2017-008.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 29, 2018.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness

Posting Receipts, Disbursements and Fund Balance Classification

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Payments to the County Health Department were netted against property tax revenue instead of being posted as an expense in the General Fund in 2016;
- One manufactured home rollback receipt was posted entirely to the General Fund when a portion should have been allocated to the Road and Bridge, Police Department, Fire Department, and Life Squad Funds in 2016;
- Gasoline Tax, Motor Vehicle License Tax, and Permissive Motor Vehicle License Tax receipts were not always posted to the correct fund in 2017 and 2016;
- A receipt for interest was incorrectly posted twice in the General Fund in 2016;
- A leave balance payout for a retired employee was paid out of the Fire Department Fund when it should have been paid out of the Road and Bridge Fund in 2017;
- Certain disbursements were classified as General Government and Public Safety when they should have been classified as Capital Outlay in the Fire Department and FEMA Funds in 2016;
- Debt payments were classified as Capital Outlay instead of Principal and Interest in the Life Squad and Fire and Rescue, Ambulance, and EMS Funds in 2017 and 2016;
- Debt proceeds and a corresponding Capital Outlay were not recorded for the new debt in the Fire and Rescue, Ambulance, and EMS Fund in 2017;
- The Township classified the Zoning Fund as being part of the Special Revenue Fund Type with a Restricted fund balance in both 2017 and 2016. A prior period adjustment was made to correct the beginning balance, and all current year activity has been adjusted to the General Fund; and
- The General Fund balance was classified entirely as Unassigned when a portion should have been Assigned in 2016.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2017-001 (Continued)

Material Weakness (Continued)

Posting Receipts, Disbursements and Fund Balance Classification (Continued)

Management's Response – 1) Effective 2018 all tax receipts are fully received and expensed in UAN Memo Receipt form. 2) Effective 2018 all MH rollbacks are allocated to the appropriate funds based on the original disbursement from the County. 3) Effective 2018 County tax disbursement checks are verified against documentation worksheets from the County to insure the type on the check stub matches the documentation and any discrepancies are reviewed with the County Auditor's office for verification prior to entry. 4) Effective 2018 all interest receipts are properly posted. 5) Effective 2018 leave balances paid out are reviewed and approved by the Township Administrator for accuracy prior to payment. 6) Effective 2018 all Capital Equipment purchases entries will be reviewed with LGS for accuracy during year-end close procedures. 7) Effective 2018 the Fiscal Officer has checklist for the entry of initial Asset Acquisitions purchased with debt to include receipt of money & purchase of Asset in the correct Object Codes and then loan payments to principle and interest thereafter. 8) By the close of FY 2018, the Zoning Fund #2181 will be rolled into the General Fund and Fund #2181 closed for further activity thereafter. All future Zoning receipts and disbursements will be made through the General Fund. 9) Effective 2018, the Fiscal Officer has spent a significant amount of time learning the Chart of Accounts and then re-working UAN to streamline the active codes and minimize complexity to the extent possible while still maintaining accuracy.

FINDING NUMBER 2017-002

Material Weakness

Overpayment of Wages

During our testing of payroll disbursements, we noted the Township paid the Fire Captain, Greg Lang, an incorrect pay rate. According to the union contract, the hourly pay rate for a full time captain in 2017 was \$14.77. On April 9, 2017, Mr. Lang's hourly rate was incorrectly increased from \$14.77 to \$15.07 (a 2% increase which was approved for all part time fire and EMS employees). As a result of this increase, Mr. Lang was overpaid \$0.30 for each regular hour and \$0.45 for each overtime hour.

While this new pay rate was in effect, Mr. Lang worked 2,186 regular hours and 423.5 overtime hours. This resulted in an overpayment totaling \$846. As of the date of this report, this overpayment has not been repaid.

We recommend the Township establish adequate internal controls and segregation of duties to reduce the error of overpayment in the future.

Management's Response – Effective November, 2018 all pay changes approved in open meetings will state the individual names, positions and pay rates for each affected employee. A checklist for payroll has also been created that calls for all pay rate changes to be confirmed in writing prior to entry in UAN.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2017-003

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);

We noted appropriations exceeding estimated resources in the General, Miscellaneous Special Revenue, and Public Works Commission Project Funds in 2016.

We noted expenditures exceeding estimated resources in the Fire Department and Fire and Rescue, Ambulance and EMS Funds in 2017 and in the Motor Vehicle License Tax, Cemetery, and Special Levy Combined Safety Service Funds in 2016.

In addition, the Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

The Board does not monitor for budgetary compliance. Although the Board approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely or that transfers are done in compliance with laws and regulations.

The Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. We recommend the Township establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates.

MONROE TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-003 (Continued)

Material Weakness/Noncompliance (Continued)

Budgetary Controls (Continued)

Management's Response – 1) Effective 2018 a system for tracking and requesting Amended Certificates of Estimated Resources and Appropriations is in place. Resources are reviewed regularly and changes forwarded to the Budget Commission for approval. When the Amended Certificate is returned, UAN is updated and a report showing the reconciled balances is printed and filed with the approved Amended Certificate. Appropriations are tracked by Revision number effective midyear with motion and effective dates for each. These are maintained as tabs in a single Excel Workbook. Approved Appropriations are entered into UAN following the meeting and a report showing the reconciled balances is printed and filed with a copy of the approved Appropriations. Approved Appropriations are also included in the body of the Meeting Minutes effective midyear. 2) Key deadlines for budgetary forms are kept in a Master Checklist and also in an Outlook Calendar to assist in compliance.

FINDING NUMBER 2017-004

Significant Deficiency

Advances

Inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Ohio Revised Code. Advances, on the other hand, *temporarily* reallocate cash from one fund to another and involve an expectation of repayment;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The debtor fund may repay advances from the creditor fund. That is, the Auditor of State would not deem repaying advances to violate restrictions on use of the debtor's fund resources; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
 - A specific statement that the transaction is an advance of cash, and
 - An indication of the money (fund) from which it is expected that repayment will be made.
 -

When a fund ends the year with a negative cash, it is not appropriate to present and *advance* on the budgetary statement to eliminate the negative cash balance. Even though, in substance, the government has made an advance, it is not acceptable to "hide" noncompliance by creating an advance not properly authorized by the government.

MONROE TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-004 (Continued)

Significant Deficiency (Continued)

Advances (Continued)

If, after an advance is made, the taxing authority determines that the transaction should, in fact, be treated as a transfer (repayment is no longer expected) the following procedures should be followed retroactively:

- The necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas (see Ohio Revised Code Section 5705.14, 5705.15 and 5705.16);
- The transfers should be formally recorded on the records of the subdivision; and
- The entries recording the cash advance should be reversed.

In 2014, The Township advanced \$29,500 from the Fire and Rescue, Ambulance and EMS Fund to the Fire Department Fund. This advance was not repaid through December 31, 2017. The Township has repaid this advance as of October 12, 2018.

In 2015, the Township advanced \$20,000 from the Permissive Motor Vehicle License Tax Fund to the General Fund. This advance was not allowable and was not repaid through December 31, 2017. As a result, a prior period restatement was made to reverse the advance.

We recommend the Township track all outstanding advances and ensure that if they are not repaid that they take the necessary steps to convert them to transfers if it becomes apparent that repayment will not occur.

Management's Response – 1) Effective 2018 the Fiscal Officer has repaid all open Advances as identified during the Audit. The Fiscal Officer has set in place a Policy that future Advances will be requested and approved in Open Meeting. The Fiscal Officer will recommend against any Advance that does not have a supporting Cash Flow analysis allowing for repayment prior to the end of the Fiscal Year in which the Advance is made. 2) The Fiscal Officer is in the process of creating a Key Information sheet for each Fund detailing minimum safety levels for carryover as recommended to the Board, future uses of excess fund balances where a plan exists without encumbrance and key items/events in the Fund for the current year. This will significantly help with Transitions between Fiscal Officers as this knowledge is often lost in transition (as occurred with the two transactions mentioned in the report).

FINDING NUMBER 2017-005

Significant Deficiency/Noncompliance

26 U.S.C. Section 3402 requires every employer, including the state and its political subdivisions making payments of any compensation to an employee who is a taxpayer, to deduct and withhold from such compensation for each payroll period a tax substantially equivalent to the tax reasonably estimated to be due under this chapter with respect to the amount of such compensation included in his adjusted gross income during the calendar year.

MONROE TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-005 (Continued)

Significant Deficiency/Noncompliance (Continued)

26 U.S.C. Section 3402 (Continued)

The former Fiscal Officer did not submit the Form 941 quarterly report as required by the IRS for the second quarter of 2016 timely. Also, the reports submitted for the first and second quarter of 2016 were incorrect. This resulted in the IRS issuing the Township a refund for the first quarter of 2016 when the amount refunded should have been applied to the second quarter. As a result, the amount remitted for the second quarter was less than the amount owed. As of December 31, 2017, all reports have been submitted.

We recommend the Fiscal Officer remit the required amounts and file the required reports when completing the last payroll of each quarter to avoid accrual of interest and penalties.

Management's Response – All Quarterly 941 returns have been filed complete, on time and error free since the current Fiscal Officer was appointed in September of 2016. Effective 2018 a Master Checklist is used to track due dates and calendar appointments are scheduled in advance to complete the returns.

FINDING NUMBER 2017-006

Significant Deficiency/Noncompliance

Ohio Revised Code Section 145.47 states the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the public employees retirement system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions within thirty days after the last day of such reporting period.

The Township submitted the monthly OPERS reports late for one month in 2017 and three months in 2016. As of December 31, 2017, all reports have been submitted.

We recommend the Fiscal Officer take the care necessary to ensure PERS contributions are being remitted timely and in the correct amount to avoid accrual of interest and penalties.

Management's Response – Effective 2018 a Master Checklist is used to track due dates and calendar appointments are scheduled in advance to complete and submit returns and contributions.

MONROE TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-007

Significant Deficiency/Noncompliance

Ohio Rev. Code Section 742.35, in part, states that each employer shall pay its police officer employers' contribution and firefighter employers' contribution in monthly payments as provided in sections 742.33 and 742.34 of the Revised Code. The employer shall make each payment not later than the last day of the month after the month for which the police officer or firefighter employee contributions were withheld. If an employer fails to make the payment installment by the date it is due, a penalty determined under section 742.352 of the Revised Code shall be assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the payment is due to the date of payment.

The Township did not submit the monthly OP&F reports for two months in 2017 and one month in 2016 timely. The Township also did not make timely submissions of the pre-employment physical examinations for three employees in 2017 as required by Ohio Rev. Code Section 742.38. As of December 31, 2017, all reports have been submitted.

We recommend the Fiscal Officer take the care necessary to ensure OP&F contributions and related reports are being remitted timely and in the correct amount to avoid accrual of interest and penalties.

Management's Response – 1) Effective 2018 a Master Checklist is used to track due dates and calendar appointments are scheduled in advance to complete and submit returns and contributions. OP&FPF reporting continues to be challenging due to a rolling 28 day calculated Overtime policy not supported by UAN reporting. Manual spreadsheets and a Standard Operating Procedure for creating, editing and filing the reports have been developed to assist in this process with significant improvements, particularly in the latter half of 2018. 2) An HR Administrator has been appointed by the Board to insure compliance with the necessary physicals, documentation and enrollment forms for eligible employees. This has also created significant improvements in compliance in 2018.

FINDING NUMBER 2017-008

Significant Deficiency/Noncompliance

Ohio Revised Code Section 5747.06 requires every employer maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a reasonable estimate of the amount of state income tax which will be due.

The IT 501 reports as required by the State of Ohio were not submitted timely for one month in 2017 and two months in 2016. As of December 31, 2017, all reports have been submitted.

We recommend the Fiscal Officer remit the required amounts and file the required reports when completing the last payroll of each quarter to avoid accrual of interest and penalties.

Management's Response – 1) Effective 2018 a Master Checklist is used to track due dates and calendar appointments are scheduled in advance to complete and submit returns and contributions. 2) The Township has approved training for the HR Administrator to be able perform some payroll functions as a backup for the Fiscal Officer. This will be another level of assurance that someone will be available at the right time to complete monthly and quarterly filings.

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Dave Yost • Auditor of State

MONROE TOWNSHIP

CLERMONT 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
DECEMBER 13, 2018**