

MONROE TOWNSHIP

GUERNSEY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020





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Columbus, Ohio 43215
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Board of Trustees
Monroe Township
12345 Ash Road
Newcomerstown, OH 43832

We have reviewed the *Independent Auditor's Report* of the Monroe Township, Guernsey County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2020 through December 31, 2021. 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. The Monroe Township is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 09, 2022

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**MONROE TOWNSHIP
GUERNSEY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Monroe Township
Guernsey County
15427 Freedom Road
Kimbolton, Ohio 43749

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Monroe Township, Guernsey County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021, or the changes in financial position, thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 10 to the financial statements the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinions regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

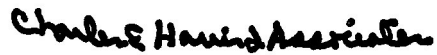
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Charles E. Harris & Associates, Inc.
August 10, 2022

Monroe Township
Guernsey 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, 2021

| | General | Special Revenue | Debt Service | Capital Project | Totals (Memorandum Only) |
|---|------------------|--------------------|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 56,322 | \$ 34,722 | \$ - | \$ - | \$ 91,044 |
| Licenses, Permits and Fees | 600 | - | - | - | 600 |
| Intergovernmental | 11,589 | 180,257 | - | - | 191,846 |
| Special Assessments | - | - | 10,331 | - | 10,331 |
| Miscellaneous | - | 10,253 | - | - | 10,253 |
| <i>Total Cash Receipts</i> | <u>68,511</u> | <u>225,232</u> | <u>10,331</u> | <u>-</u> | <u>304,074</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 42,060 | - | - | - | 42,060 |
| Public Safety | - | 25,000 | - | - | 25,000 |
| Public Works | 4,855 | 167,398 | - | - | 172,253 |
| Capital Outlay | 306 | - | - | - | 306 |
| Debt Service: | | | | | |
| Principal Retirement | - | - | 8,000 | - | 8,000 |
| Interest and Fiscal Charges | - | - | 2,333 | - | 2,333 |
| <i>Total Cash Disbursements</i> | <u>47,221</u> | <u>192,398</u> | <u>10,333</u> | <u>-</u> | <u>249,952</u> |
| <i>Net Change in Fund Cash Balances</i> | 21,290 | 32,834 | (2) | - | 54,122 |
| <i>Fund Cash Balances, January 1</i> | <u>53,030</u> | <u>167,355</u> | <u>7,661</u> | <u>514</u> | <u>228,560</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 74,320</u> | <u>\$ 200,189</u> | <u>\$ 7,659</u> | <u>\$ 514</u> | <u>\$ 282,682</u> |

See accompanying notes to the financial statements

Monroe Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Salem Township, Monroe County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Antrim and Liberty Community Fire Departments to provide fire services and ambulance services.

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

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 organized on a fund type basis.

Fund Accounting

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

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

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

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Frew Park Note Retirement Fund The Township collects special assessment revenue to pay for debt incurred by the Township.

Capital Projects Fund These funds account for receipts restricted, committed, or assigned for expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Projects Fund:

Monroe Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Public Works Fund – This fund records Issue I activity passed through the County Engineers office for road projects.

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 (C). 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 (C) permit.

Budgetary Process

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

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

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

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

A summary of 2021 budgetary activity appears in Note 3.

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.

Fund Balance

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

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

Monroe Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021, follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|--|----------------------------|----------------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 54,583 | \$ 68,511 | \$ 13,928 |
| Special Revenue | 156,987 | 225,232 | 68,245 |
| Debt Service | 10,331 | 10,331 | - |
| Capital Projects | - | - | - |
| 2021 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 148,378 | \$ 64,385 | \$ 83,993 |
| Special Revenue | 274,423 | 222,812 | 51,611 |
| Debt Service | 28,276 | 10,333 | 17,943 |
| Capital Projects | 514 | - | 514 |

Contrary to ORC 5705.38(A), the Township did not file appropriations with the County Auditor.

Contrary to ORC 5705.39, the Township had appropriations exceeding estimated resources.

Monroe Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Deposits

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

| | |
|-----------------|-------------------|
| Demand Deposits | <u>\$ 282,682</u> |
|-----------------|-------------------|

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

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the Township does not have any unremitted employee withholdings.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Township is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include credits and/or deduction amounts the State pays as Other Intergovernmental Receipts. Payments are due to the County by March 10th. If the property owner elects to pay semiannually, the first half is due March 10th. The second half payment is due the following July 20th.

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 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

Monroe Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Risk Management (Continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020. (Latest Information Available)

| | |
|-----------------|----------------------|
| Assets | \$ 18,826,974 |
| Liabilities | <u>(13,530,267)</u> |
| Members’ Equity | <u>\$ 5,296,707</u> |

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, that includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2021.

Monroe Township
Guernsey County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------|------------------|----------------------|
| Tractor | <u>\$ 63,800</u> | 3.25% |

The Township entered into a loan agreement in 2018 with USDA to fund the purchase of tractor and mower. It will be repaid from the Debt Service Fund over 10 years with an annual payment of \$10,266.

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

| Year Ending | <u>December 31</u> | <u>Tractor</u> |
|-------------|--------------------|------------------|
| 2022 | | \$ 10,266 |
| 2023 | | 10,266 |
| 2024 | | 10,266 |
| 2025 | | 10,266 |
| 2026 | | 10,266 |
| 2027-2028 | | <u>20,532</u> |
| Total | | <u>\$ 71,862</u> |

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. During 2021, the Township received COVID-19 funds. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 – Fund Balance

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

| <u>Fund Balance</u> | <u>General Fund</u> | <u>Special Revenue</u> |
|--------------------------|---------------------|------------------------|
| Outstanding Encumbrances | \$ 17,164 | \$ 30,414 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service and capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue, debt service and capital projects funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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

Monroe Township
Guernsey County
15427 Freedom Road
Kimbolton, Ohio 43749

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type of Monroe Township, Guernsey County, (the Township) as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated August 10, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 through 2021-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2021-004 and 2021-005.


We also noted certain other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 10, 2022.

Township's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Township's responses to the findings identified in our audit and described in the accompanying corrective action plan. The Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the responses.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 10, 2022

INDEPENDENT AUDITOR'S REPORT

Monroe Township
Guernsey County
15427 Freedom Road
Kimbolton, Ohio 43749

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the year ended December 31, 2020 and related notes of Monroe Township, Guernsey County, Ohio (the Township).

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(C) 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(C), 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(C) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2020, and the respective changes in financial position thereof for the year 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 for each governmental fund type as of and for the year ended December 31, 2020 and related notes of Monroe Township, Guernsey County in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

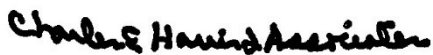
Emphasis of Matters

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinions regarding this matter.

As discussed in Note 11 to the financial statements, the Township made several changes to its reporting model. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2022, 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.



Charles E. Harris & Associates, Inc.
August 10, 2022

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

| | General | Special Revenue | Debt Service | Capital Project | Totals (Memorandum Only) |
|--|------------------|--------------------|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 54,703 | \$ 34,539 | \$ - | \$ - | \$ 89,242 |
| Licenses, Permits and Fees | 1,890 | - | - | - | 1,890 |
| Intergovernmental | 10,856 | 145,786 | - | - | 156,642 |
| Special Assessments | - | - | 10,331 | - | 10,331 |
| Miscellaneous | 24 | 1,490 | - | - | 1,514 |
| <i>Total Cash Receipts</i> | <u>67,473</u> | <u>181,815</u> | <u>10,331</u> | <u>-</u> | <u>259,619</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 44,419 | - | - | - | 44,419 |
| Public Safety | - | 24,001 | - | - | 24,001 |
| Public Works | 2,730 | 131,022 | - | - | 133,752 |
| Health | 1,563 | 2,160 | - | - | 3,723 |
| Capital Outlay | 11,880 | - | - | - | 11,880 |
| Debt Service: | | | | | |
| Principal Retirement | - | - | 7,700 | - | 7,700 |
| Interest and Fiscal Charges | - | - | 2,584 | - | 2,584 |
| <i>Total Cash Disbursements</i> | <u>60,592</u> | <u>157,183</u> | <u>10,284</u> | <u>-</u> | <u>228,059</u> |
| <i>Net Change in Fund Cash Balances</i> | 6,881 | 24,632 | 47 | - | 31,560 |
| <i>Fund Cash Balances, January 1, Restated</i> | <u>46,149</u> | <u>142,723</u> | <u>7,614</u> | <u>514</u> | <u>197,000</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 53,030</u> | <u>\$ 167,355</u> | <u>\$ 7,661</u> | <u>\$ 514</u> | <u>\$ 228,560</u> |

See accompanying notes to the financial statements

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monroe Township, Guernsey County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance and fire protection services. The Township contracts with the Antrim and Liberty Community Fire Departments to provide fire services and ambulance services.

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

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 organized on a fund type basis.

Fund Accounting

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

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

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

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

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

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Frew Park Note Retirement Fund The Township collects special assessment revenue to pay for debt incurred by the Township.

Capital Projects Fund These funds account for receipts restricted, committed, or assigned for expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Projects Fund:

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Public Works Fund – This fund records Issue I activity passed through the County Engineers office for road projects.

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 (C). 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 (C) permit.

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3.

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.

Fund Balance

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

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

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

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

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

Note 3 – Budgetary Activity

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

| 2020 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|-----------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 66,002 | \$ 67,473 | \$ 1,471 |
| Special Revenue | 172,464 | 181,815 | 9,351 |
| Debt Service | 10,331 | 10,331 | - |
| Capital Projects | - | - | - |

| 2020 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|----------------------------|----------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$ 139,548 | \$ 75,712 | \$ 63,836 |
| Special Revenue | 248,662 | 184,770 | 63,892 |
| Debt Service | 17,945 | 10,284 | 7,661 |
| Capital Projects | 514 | - | 514 |

Contrary to ORC 5705.38(A), the Township did not file appropriations with the County Auditor.

Contrary to ORC 5705.39, the Township had appropriations exceeding estimated resources.

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

Note 4 – Deposits

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

| | |
|-----------------|-------------------|
| Demand Deposits | <u>\$ 228,560</u> |
|-----------------|-------------------|

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

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Township is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include credits and/or deduction amounts the State pays as Other Intergovernmental Receipts. Payments are due to the County by March 10th. If the property owner elects to pay semiannually, the first half is due March 10th. The second half payment is due the following July 20th.

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 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

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

Note 6 – Risk Management (Continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

| | |
|-----------------|----------------------|
| Assets | \$ 18,826,974 |
| Liabilities | <u>(13,530,267)</u> |
| Members’ Equity | <u>\$ 5,296,707</u> |

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 – Postemployment Benefits

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

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

Note 9 – Debt

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

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------|------------------|----------------------|
| Tractor | \$ 71,800 | 3.25% |

The Township entered into a loan agreement in 2018 with USDA to fund the purchase of tractor and mower. It will be repaid from the Debt Service Fund over 10 years with an annual payment of \$10,266. The balance in the previous audit was overstated by \$62.

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

| Year Ending | <u>December 31</u> | <u>Tractor</u> |
|-------------|--------------------|------------------|
| 2021 | | \$ 10,266 |
| 2022 | | 10,266 |
| 2023 | | 10,266 |
| 2024 | | 10,266 |
| 2025 | | 10,266 |
| 2026-2028 | | <u>30,798</u> |
| Total | | <u>\$ 82,128</u> |

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 – Change in Accounting Principles

For 2020, the Township has made changes to their cash basis reporting model. This change includes removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. There was no effect on beginning cash balance as a result of this change.

Note 12 – Fund Balance

Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end, the balances of these amounts were as follows:

| <u>Fund Balance</u> | <u>General Fund</u> | <u>Special Revenue</u> |
|--------------------------|---------------------|------------------------|
| Outstanding Encumbrances | \$ 15,120 | \$ 27,587 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service and capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue, debt service and capital projects funds include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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

Note 13 – Prior Period Restatement

The following adjustment is reflected in the January 1, 2020 fund balance:

| | General Fund |
|--|-------------------------|
| December 31, 2019 audited balances | \$ 39,222 |
| Adjustment to account for corrected cash balance | <u>6,927</u> |
| January 1, 2020 restated balance | <u><u>\$ 46,149</u></u> |

The Township cash balance was incorrect in the prior audit report.

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

Monroe Township
Guernsey County
15427 Freedom Road
Kimbolton, Ohio 43749

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements for each governmental fund type of Monroe Township, Guernsey County, Ohio (the Township) as of and for the year ended December 31, 2020, and the related notes to the financial statements and have issued our report thereon dated August 10, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township and several changes to its reporting model.

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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider to be material weaknesses. We consider findings 2021-001 through 2021-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2021-004 and 2021-005.

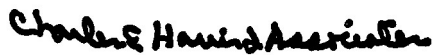
We also noted certain other matters not requiring inclusion in this report that we reported to management in a separate letter dated August 10, 2022.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying corrective action plan. 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 report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 10, 2022

MONROE TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001 – Material Weakness

Audit Adjustments, Reclassification and Notes to the Financial Statements

The Township's management is responsible for the fair presentation of the financial statements. Errors were noted in the financial statements which resulted in several audit adjustments. The more significant adjustments are as follows.

- During 2020, debt payments were not posted to the UAN Accounting system and not included in Financial Statements.
- During 2021, debt service payments were not allocated between Principal Retirement and Interest.
- The audit adjustments from the prior audit were not booked by the Township into the UAN System.
- The notes to the financial statements included outdated information and excluded required disclosures.

The financial statements and Township records have been adjusted and reclassified to present the accounting information correctly and the Township has agreed with the required reclassifications.

We recommend that consideration be given to analyzing the nature of transactions occurring during the normal course of business to ensure that they are posted to the proper accounts. We recommend further that all reports be reviewed and approved by the Township Board monthly. The Fiscal Officer should refer to the Ohio Administrative Code, UAN manual, the Ohio Township Handbook and other Auditor of State reference materials for guidance to determine the proper establishment of receipt and disbursement accounts and posting receipts and disbursements.

Managements' Response – See Corrective Action Plan.

MONROE TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-002 – Material Weakness

Bank Reconciliations

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. There were significant numbers of reconciling items and other adjusting factors that were not identified. The lack of proper reconciliations among the bank statements and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. In addition, we noted outstanding checks were included on the Township’s outstanding check listing which were dated as far back as 2008.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances, with support for all reconciling items or other adjusting factors. There was no evidence that the Board reviewed and signed off on the bank reconciliations. Bank reconciliations should be presented to the Board for review and use in managing the Township, in a timely fashion.

Management’s Response:

See Corrective Action Plan

FINDING NUMBER 2021-003 – Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and disbursements.

The Township does enter budgetary data for estimated receipts and expenditures. However, the amounts entered do not agree with the Official Certificate of Estimated Resources or approved appropriations. This can lead to decisions being made on faulty budgetary data and can lead to overspending and creating a negative fund balance if not monitored.

We recommend that the Township post the approved appropriations and official certificate of estimated resources to the UAN system around the first of each year. Then any amendments to those official documents be posted to the system upon approval. This will lead to correct budgetary information and Township decisions can be made on accurate data.

Management’s Response:

See Corrective Action Plan

MONROE TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-004 – Non-Compliance

Ohio Revised Code Section 5705.38(A) states on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure, and thereafter during the year it may pass any supplemental appropriation measure as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate.

If it desires to postpone the passage of the annual appropriation measure until an amended certificate is received based on the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April of the current year, and the appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed.

The Township passed an annual appropriation measure for 2021 and 2020 but did not file the measure with the County Auditor.

We recommend the Township pass the appropriation resolutions on or about the first day of each year and document such approval in the minutes. The Fiscal Officer should then file the approved appropriation resolutions with the Guernsey County Auditor. Otherwise, the Township should not expend any money until appropriations are submitted to the County Auditor and they provide a certificate that the appropriations don't exceed estimated resources.

Management's Response:

See Corrective Action Plan

MONROE TOWNSHIP
GUERNSEY COUNTY

SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-005 Non-Compliance

Ohio Revised Code Section 5705.39 states, in part, that “... The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission...” Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances in 2021 and 2020:

2021

| <u>Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
|-------------------|----------------------------|-----------------------|-----------------|
| General Fund | \$107,613 | \$ 148,378 | \$ (40,765) |
| Debt Service Fund | 17,992 | 28,276 | (10,284) |

2020

| <u>Fund</u> | <u>Estimated Resources</u> | <u>Appropriations</u> | <u>Variance</u> |
|--------------|----------------------------|-----------------------|-----------------|
| General Fund | \$105,224 | \$ 139,548 | \$ (34,324) |

We recommend that management regularly monitor all budgetary activity and use correct beginning unencumbered fund balance to avoid appropriations exceeding estimated resources.

Management’s Response:

See Corrective Action Plan

**MONROE TOWNSHIP
GUERNSEY COUNTY**

For the Years Ended December 31, 2021 and 2020

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management

| FINDING NUMBER | FINDING SUMMARY | STATUS | ADDITIONAL INFORMATION |
|----------------|---|---------------|------------------------|
| 2019-001 | Ohio Revised Code Section 5705.38(A) Passed annual appropriations but did not file with County Auditor | Not Corrected | |
| 2019-002 | Ohio Revised Code Section 5705.41(B) Township did not file permanent appropriations | Corrected | |
| 2019-003 | Ohio Revised Code Section 505.24(D) Trustees paid out of different funds | Corrected | |
| 2019-004 | Ohio Admin. Code Section 117-2-02 (A) Reclassifications and adjustments. | Not Corrected | |
| 2019-005 | Noncompliance ORC 5705.41(D) certifications not made prior to purchase. | Corrected | |
| 2019-006 | Bank Reconciliations | Not Corrected | |
| 2019-007 | Township did not post approved appropriations and official certificate of estimated resources to the UAN System | Not Corrected | |

MONROE TOWNSHIP
GUERNSEY COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2021 and 2020

| FINDING NUMBER | PLANNED CORRECTIVE ACTION | ANTICIPATED COMPLETION DATE | RESPONSIBLE CONTACT PERSON |
|----------------|---|-----------------------------|---------------------------------|
| 2021-001 | The Fiscal Officer will closely review all transactions | Immediately | Jerry Regula, Fiscal Officer |
| 2021-002 | The Fiscal Officer will closely review and perform Bank Reconciliations on time. | Immediately | Jerry Regula, Fiscal Officer |
| 2021-003 | The Fiscal Officer will post the approved appropriations and estimated receipts to the UAN system, | Immediately | Jerry Regula, Fiscal Officer |
| 2021-004 | The Fiscal Officer will submit the passed appropriations with the County Auditors. | Immediately | Jerry Regula, Fiscal Officer |
| 2021-005 | The Fiscal Officer will closely monitor all budgetary activity and use correct beginning unencumbered fund balance. | Immediately | Jerry Regula, Fiscal Officer |

OHIO AUDITOR OF STATE KEITH FABER



MONROE TOWNSHIP

GUERNSEY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/22/2022

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

This report is a matter of public record and is available online at
www.ohioauditor.gov