



**MONROE TOWNSHIP
PERRY COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

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Marietta, OH 45750
740 373 0056

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Vienna, WV 26105
304 422 2203

150 W. Main St., #A
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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Monroe Township
P. O. Box 426
Corning, Ohio 43730

We have reviewed the *Independent Auditor's Report* of Monroe Township, Perry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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:

Finding For Recovery – Fiscal Officer Salary

Ohio Rev. Code § 507.09(A)(3) provides in calendar year 2017, in townships having a budget of more than two hundred fifty thousand but not more than five hundred thousand dollars, the township fiscal officer shall be entitled to compensation of fourteen thousand thirty-nine dollars.

Prior period audits identified that Heather Harper, former Fiscal Officer, was underpaid a total of \$9,526 based on the legislatively established salary amounts between January 1, 2013 and December 31, 2016. The Trustees and Fiscal Officer agreed to correct the error over the two year period beginning January 1, 2017 through December 31, 2018 through monthly payments of \$314.70. For 2017 and 2018, Ms. Harper's legislatively established annual salary would have been \$14,039. However, since Ms. Harper resigned November 1, 2018, the annual salary would have been prorated over ten months for a total of \$11,699. Ms. Harper's 2017 gross pay totaled \$17,815 and her 2018 gross pay totaled \$18,211. Ms. Harper issued check #26444 for \$1,272 the day she resigned, which resulted in the overpayment. The overpayment is shown below:

Gross salary received in 2017	\$17,815	
2017 Legislatively approved salary (full year)	<u>\$14,039</u>	
Additional amount to cover prior year underpayment		\$3,776
Gross salary received in 2018	\$18,211	
2018 Legislatively approved salary (10 months)	<u>\$11,699</u>	
Additional amount to cover prior year underpayment		\$6,512
Less:		
Total amount underpaid from the 2013-2014 audit:	(\$8,214)	
Net amount underpaid from the 2015-2016 audit:	<u>(\$1,312)</u>	
Total compensation due at 1/1/2017		<u>(\$9,526)</u>
Net overpayment upon separation at 11/1/2018		<u><u>\$762</u></u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Heather Harper in the amount of \$762, and in favor of the Monroe Township General Fund, in the amount of \$762.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

The Township Trustees signed the warrant resulting in the improper payment. Trustees Joseph Duffy, Trevor McLean, Travis Post and their bonding company, the Ohio Township Association Risk Management Authority, will be jointly and severally liable in the amount of \$762 and in favor of the Monroe Township General Fund.

Finding For Recovery – Late Fees and Penalties

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The law requires that employers withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Cir. 2008). In addition, under Ohio law, employers are required to withhold state income taxes and school district income taxes from employees' wages and transmit the funds to the state. See Ohio Rev. Code §§ 5747.06 and 5747.07. Under Ohio Rev. Code § 5747.07(E)(2), each employer required to withhold any tax is liable for the payment of the amount required to be withheld and the amount shall be deemed to be a special fund in trust for the general revenue fund.

As Fiscal Officer, Heather Harper, was the official responsible for withholding and remitting the required income taxes from Township employee earnings. Ms. Harper resigned from her position on November 1, 2018. The new Fiscal Officer began receiving notifications from both the Internal Revenue Service and State Department of Taxation for failure to remit and report income tax withholdings from as far back as 2012. Ms. Harper withheld, as required, federal income tax, Medicare, and state income tax from the earnings of each Township employee. However, Ms. Harper failed to transmit all required funds to the appropriate agency. As a result, the Township incurred penalties, late fees, and interest from the federal government and the State of Ohio. Specifically, the total amount of penalties and interest payable accrued during her term by the Township to the federal government is \$24,828. Additionally, the Township paid the State of Ohio penalties, late fees, and interest totaling \$4,411, with \$1,421 still due.

The penalties, late fees, and interest paid by the Township serve no proper public purpose and could have been avoided had the funds been remitted as required by law.

In accordance with the foregoing facts and authorities, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money that has been illegally expended for failure to remit withheld income taxes resulting in penalties, late fees, and interest assessed against the Township is hereby issued against Heather Harper, former Township Fiscal Officer, in the amount of \$30,660 and in favor of the Township's General Fund.

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

November 1, 2019

MONROE TOWNSHIP
PERRY COUNTY

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Certified Public Accountants, A.C.

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INDEPENDENT AUDITOR'S REPORT

September 27, 2019

Monroe Township
Perry County
P.O. Box 426
Corning, Ohio 43730

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**, Perry County, (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our 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, 2018 and 2017, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

General Fund cash nonpayroll disbursements are reported at \$40,432 and \$46,218 for the years ended December 31, 2018 and 2017, respectively, and Special Revenue cash nonpayroll disbursements are reported at \$197,670 and \$142,362 for the years ended December 31, 2018 and 2017, respectively, which is 65 and 77 percent and 69 and 70 percent of General Fund and Special Revenue Fund disbursements for the years ended December 31, 2018 and 2017, respectively.

We were unable to obtain sufficient appropriate evidence supporting the amounts recorded as cash nonpayroll disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter discussed in the *Basis for Qualified Opinion on Regulatory Basis of Accounting*, 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, Perry County as of December 31, 2018 and 2017, 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 September 27, 2019, 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

**MONROE TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 22,984	\$ 96,841	\$ 119,825
Intergovernmental	27,539	152,120	179,659
Miscellaneous	16,719	498	17,217
	<i>Total Cash Receipts</i>	249,459	316,701
Cash Disbursements			
Current:			
General Government	61,913	-	61,913
Public Safety	-	102,929	102,929
Public Works	-	133,248	133,248
Health	-	9,362	9,362
Debt Service:			
Principal Retirement	-	11,346	11,346
Interest and Fiscal Charges	-	295	295
	<i>Total Cash Disbursements</i>	257,180	319,093
<i>Net Change in Fund Cash Balances</i>	5,329	(7,721)	(2,392)
<i>Fund Cash Balances, January 1</i>	(24,286)	49,865	25,579
Fund Cash Balances, December 31			
Restricted	-	47,856	47,856
Committed	-	950	950
Unassigned (Deficit)	(18,957)	(6,662)	(25,619)
<i>Fund Cash Balances, December 31</i>	\$ (18,957)	\$ 42,144	\$ 23,187

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

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Monroe Township, Perry 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 Village of Corning to provide fire services and ambulance services.

Public Entity Risk Pools

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to the Ohio local Governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgements, settlements, and other expenses resulting from covered claims exceeding the member's deductible. Note 7 to the financial statements provides additional information for this entity.

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 Funds:

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

Road and Bridge Fund The road and bridge fund accounts for property tax monies restricted for maintenance and repair of roads within the Township.

Fire District Funds This fund receives property tax money to provide fire protection services to the Township.

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2018 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
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Rev. Code Section 5705.10, the General Fund, Gasoline Tax Fund, and Cemetery Fund had negative cash fund balances at December 31, 2018 of \$18,957, \$1,904, and \$4,758. Also contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire District Fund, EMS Fund, EMS Apparatus Fund, and Fire Apparatus Fund by \$61,913, \$15,193, \$121,626, \$8,070, \$9,362, \$51,716, \$12,816, \$21,305, and \$17,092 at December 31, 2018.

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 4 – Budgetary Activity

Budgetary activity for the year ending follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 67,242	\$ 67,242
Special Revenue	-	249,459	249,459
Total	\$ -	\$ 316,701	\$ 316,701

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 61,913	\$ (61,913)
Special Revenue	-	257,180	(257,180)
Total	\$ -	\$ 319,093	\$ (319,093)

Note 5 – Deposits

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

	2018
Demand deposits	\$ 23,187

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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.

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

Note 7 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 7 – Risk Management (Continued)

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Assets	\$33,097,416
Liabilities	7,874,610
Net Position	\$25,222,806

2018 Contributions to OTARMA

\$7,741

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 10 – Debt

The Township issued promissory notes to finance the purchase of a new dump truck and grader for Township road maintenance. As of December 31, 2018, these loans have been paid in full.

**MONROE TOWNSHIP
PERRY 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 20,466	\$ 97,502	\$ 117,968
Intergovernmental	19,418	93,571	112,989
Miscellaneous	505	-	505
	<u>40,389</u>	<u>191,073</u>	<u>231,462</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
General Government	67,151	-	67,151
Public Safety	-	72,882	72,882
Public Works	-	98,567	98,567
Health	-	12,972	12,972
Debt Service:			
Principal Retirement	-	19,211	19,211
Interest and Fiscal Charges	-	1,108	1,108
	<u>67,151</u>	<u>204,740</u>	<u>271,891</u>
<i>Total Cash Disbursements</i>			
<i>Net Change in Fund Cash Balances</i>	(26,762)	(13,667)	(40,429)
<i>Fund Cash Balances, January 1</i>	<u>2,476</u>	<u>63,532</u>	<u>66,008</u>
Fund Cash Balances, December 31			
Restricted	-	62,645	62,645
Unassigned (Deficit)	<u>(24,286)</u>	<u>(12,780)</u>	<u>(37,066)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (24,286)</u>	<u>\$ 49,865</u>	<u>\$ 25,579</u>

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

**MONROE TOWNSHIP
PERRY 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 the Monroe Township, Perry 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 Village of Corning to provide fire services and ambulance services.

Public Entity Risk Pools

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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 Funds:

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

Road and Bridge Fund The road and bridge fund accounts for property tax monies restricted for maintenance and repair of roads within the Township.

Fire District Funds This fund receives property tax money to provide fire protection services to the Township.

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 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
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 Rev. Code Section 5705.10, the General Fund, Motor Vehicle License Fund, Gasoline Tax Fund, Road and Bridge Fund and Cemetery Fund had a negative cash fund balances at December 31, 2018 of \$24,286, \$5,502, \$611, \$3,916 and \$2,751. Also contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire District Fund, EMS Fund, EMS Apparatus Fund, and Fire Apparatus Fund by \$67,151, \$16,836, \$76,804, \$25,250, \$12,966, \$36,386, \$9,068, \$15,247, and \$12,183 at December 31, 2017.

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 4 – Budgetary Activity

Budgetary activity for the year ending follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 40,389	\$ 40,389
Special Revenue	-	191,073	191,073
Total	\$ -	\$ 231,462	\$ 231,462

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 67,151	\$ (67,151)
Special Revenue	-	204,740	(204,740)
Total	\$ -	\$ 271,891	\$ (271,891)

Note 5 – Deposits

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

	2017
Demand deposits	\$ 25,579

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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.

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

Note 7 – Risk Management

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.

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 7 – Risk Management (Continued)

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

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 \$3,000.

Financial Position (Continued)

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

<u>2017 Contributions to OTARMA</u>
\$7,471

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

**MONROE TOWNSHIP
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Promissory Note - Dump Truck	\$ 4,897	5.00%
Promissory Note - Grader	6,454	5.75%
Total	\$ 11,351	

The Township issued promissory notes to finance the purchase of a new dump truck and grader for Township road maintenance. As of December 31, 2018, these loans have been paid in full.

Amortization

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

	Promissory Note - Dump Truck	Promissory Note - Grader
Year Ending December 31:		
2018	\$ 5,042	\$ 6,538
Total	\$ 5,042	\$ 6,538



313 Second St.
Marietta, OH 45750
740 373 0056

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

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

1310 Market St., Suite 300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740 435 3417

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

September 27, 2019

Monroe Township
Perry County
P.O. Box 426
Corning, Ohio 43730

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**, Perry County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 27, 2019, 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. We qualified our opinion on the General Fund and Special Revenue Funds due to lack of supporting documentation for nonpayroll disbursements.

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.

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 audit findings that we consider material weaknesses. We consider findings 2018-006 through 2018-008, 2018-010, 2018-012, and 2018-013 to be material weaknesses.

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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 2018-001 through 2018-014.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses 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
PERRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 507.12 states a newly elected or appointed Fiscal Officer shall complete at least six hours of initial education programs before commencing, or during the first year of office. An additional eighteen hours of continuing education must be completed within the Fiscal Officer's first term. Twelve hours of training shall be completed for each subsequent term.

The Fiscal Officer failed to obtain the required training hours for 2018 and 2017.

The Fiscal Officer should follow the requirements outlined above and obtain the necessary training required.

Management's Response – This issue has since been resolved, as the new fiscal officer has completed the necessary training for her appointed term.

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 135.22 states that subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the Treasurer invests or deposits public funds in interim deposits pursuant to Ohio Rev. Code § 135.14(B)(3), STAR Ohio pursuant to Ohio Rev. Code § 135.14(B)(6) and no-load money market mutual funds pursuant to Ohio Rev. Code § 135.14(B)(5).

The Fiscal Officer could not provide a certificate evidencing she attended the continuing education training in 2018 and 2017, nor could she provide a notice of exemption with the Auditor of State.

The Fiscal Officer should maintain her certification reflecting she attended the annual continuing education program or file an annual notice of exemption with the Auditor of State.

Management's Response – This issue has since been resolved, as the new fiscal officer has applied for and received the exemption for 2018 and 2019.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 505.24 outlines the rates of compensation for Township Trustees. In Townships having a budget of more than \$250,000 but not more than \$500,000, Trustees were entitled to \$42.45 per day for not more than 200 days in 2017 and \$46.80 in 2018.

During 2018 and 2017, the Township Trustees were not paid based on the rates of compensation allowed. For 2018 and 2017, Trustees Duffy, Glanemann, and Stickdorn were underpaid \$383.44, \$882.84, and \$1,408.34, respectively.

MONROE TOWNSHIP
PERRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-003 (Continued)

Noncompliance (Continued)

The Township should compensate each Trustee in accordance with Ohio Rev. Code § 505.24.

Management's Response – Once the audit is finalized the fiscal officer will compensate the trustees as spelled out in the findings. Mr. Stickdorn has since passed away and we will need guidance on how to handle his payment.

FINDING NUMBER 2018-004

Noncompliance

Ohio Rev. Code § 507.03 requires the Fiscal Officer, before entering upon the discharge of official duties, to give a bond, payable to the Board of Township Trustees, with sureties approved by the Board, in the sum determined by the Board but not less than the sum provided in this section, and conditioned for the faithful performance of the duties of the office of Township Fiscal Officer. In a Township with a budget of more than two hundred fifty thousand dollars but not more than five hundred thousand dollars, the sum provided within this section is eighty-five thousand dollars.

No documentation was provided to evidence that the Township's Fiscal Officer was properly bonded. Failure to require adequate bonding of the Fiscal Officer could subject the Township to significant financial losses if Township monies are lost or misspent.

The Township should ensure the Fiscal Officer is bonded to meet the requirements outlined above.

Management's Response – This has been resolved as the new fiscal officer is bonded at the \$85,000 limit. We will be incorporating the bonding process in with the OTARMA insurance renewal process to prevent this from happening again.

FINDING NUMBER 2018-005

Noncompliance

Ohio Rev. Code § 117.38 provides that entities filing on a cash-basis must file annual reports with the Auditor of State within 60 days of the fiscal year-end. The Auditor of State may prescribe by rule or guidelines the forms for these reports.

The Township's annual reports were not filed within 60 days of fiscal year-end. We determined the Township originally filed its annual report on January 28, 2019 for 2017.

The Township should file an annual report every year within 60 days of fiscal year end. The Township's filing should include all the required elements as outlined in AOS Bulletin 2015-007 and all elements should be filed following the same basis of accounting.

Management's Response – This has been resolved as the new fiscal officer is aware of the filing requirements and has filed the 2018 reports on time.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-006

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Township failed to adopt an Annual Appropriation Resolution or file appropriations with the County Budget Commission during 2018 and 2017.

Failure to properly adopt appropriations could result in expenses being incurred in funds for which the Township does not have adequate resources.

The Township should adopt annual appropriations on or about the first day of each fiscal year. If the Township intends to delay the passage of these appropriations, the Township should adopt temporary appropriations to meet the needs to the Township until the permanent appropriations can be adopted. Approval of appropriations and subsequent amendments, by the Township Trustees, should be documented within the minutes as evidence they were properly approved.

Management's Response – This has been resolved as the new fiscal officer is aware of the appropriation requirements and completed the 2019 appropriations on time.

FINDING NUMBER 2018-007

Noncompliance/Material Weakness

Ohio Rev. Code § 149.43(B)(1) states, in part, that upon request, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

Additionally, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as invoices.

The Township was unable to provide sufficient appropriate supporting documentation for the following items we selected for testing:

- We noted six of 25 nonpayroll disbursements selected for testing for 2017, totaling \$14,766, and ranging in amounts paid from \$231 to \$4,568, did not contain supporting invoices.
- We noted five of 25 nonpayroll disbursements selected for testing for 2018, totaling \$8,698, and ranging in amounts paid from \$69 to \$7,462, did not contain supporting invoices.

Failure to maintain the appropriate supporting documentation could allow errors or irregularities to occur and remain undetected. In addition, the failure of the Township to maintain the supporting documentation for audit could result in the Township receiving a modified opinion on their financial statements in the future.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-007 (Continued)

Noncompliance/Material Weakness (Continued)

Supporting documentation should be maintained by the Fiscal Officer on file and in an organized fashion to support the transactions entered into and recorded by the Township.

Management's Response – The new fiscal officer has adopted procedures to ensure appropriate accounting and documentation is maintained for every transaction.

FINDING NUMBER 2018-008

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "blanket certificates" which are provided for in Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate – If the Fiscal Officer can certify that both at the time the contract or order was made "then" and at the time that the Fiscal Officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution. Amounts of less than \$3,000, may be paid by the Fiscal Officer without a resolution of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-008 (Continued)

Noncompliance/Material Weakness (Continued)

During our test for unrecorded encumbrances, we noted 100% of 25 disbursements tested for 2018 and 2017 which were not properly certified prior to commitment. As previously discussed in Finding Number 2018-007, there were five disbursements in 2018 and six disbursements in 2017 that did not contain adequate supporting documentation and therefore we could not determine if they were properly certified. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

Management's Response – The new fiscal officer is working toward ensuring encumbrances, appropriations, purchase orders and such, are handled according to Ohio Revised Code.

FINDING NUMBER 2018-009

Noncompliance

Ohio Rev. Code § 5705.10(I) states that money paid into any fund shall be used only for the purposes for which such fund is established.

At the end of December 31, 2018, the Gasoline Tax Fund and Cemetery Fund had negative cash fund balances of \$1,904 and \$4,758. At the end of December 31, 2017, the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, and Cemetery Fund had negative cash fund balances of \$5,503, \$615, \$3,913, and \$2,750.

Failure to appropriately monitor fund cash balances and maintain update to date and reconciled Township records could result in financial difficulties for the Township.

The Township should monitor activity in the funds to ensure that money paid into funds is only being used for the purposes for which such funds are established. The Fiscal Officer should maintain up to date financial records which are appropriately reconciled to ensure the finances of the Township can be appropriately monitored.

Management's Response – The new fiscal officer is working to eliminate the negative cash fund issues. These problems did not occur overnight, and cannot be resolved overnight, but we have made great strides in rectifying these issues. We are currently being monitored by the Local Government Services, Chris McKee, and the fiscal officer communicates with him on a regular basis. We have placed an 8 mill levy on the ballot to increase our revenues. We were unable to put a replacement levy on the ballot as the current levies were just renewed last year. We are working with FEMA for assistance in repairing our 40+ miles of roads. The gas tax increase enacted for Ohio July 1 brings us about \$4,500 extra each month. We have been extremely prudent when spending any money since the new fiscal officer took over. All these things combined are helping to resolve the negative fund balance issues.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-010

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.36(A)(1) states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

We noted the Township did not certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year for the year ended December 31, 2018 and 2017.

We recommend the Township take the necessary steps to certify their budgetary documents to the County Auditor on or before the required date. We also recommend the Township prepare the required documents and use due care in monitoring its budgetary documents since these documents are an integral part of the budgetary control process. The Township should integrate the budgetary documents into the computer system. Failure to properly monitor budgetary activity on a regular basis could result in negative fund balances. We recommend that the Township monitor budgetary activity on a regular basis and obtain amended certificates as needed. The Township should refer to the Ohio Compliance Supplement and Township Handbook for guidance on the legal budgetary process.

Management's Response – The new fiscal officer is working to resolve this issue and will consult the Ohio Compliance Supplement and Township Handbook to ensure complete and accurate compliance.

FINDING NUMBER 2018-011

Noncompliance

Ohio Admin. Code §117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code §117-2-02(C)(1) provides that all public offices should integrate the budgetary account, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations. Ohio Admin. Code Section 117-2-02(C)(2) provides that purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation accounts as required by 5705.41(D) of the Revised Code.

Ohio Admin. Code §117-2-02(D)(1) provides that a cash journal, which typically contains the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction, should be used.

Ohio Admin. Code §117-2-02(D)(2) provides that a receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses, should be used. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2018-011 (Continued)

Noncompliance (Continued)

Ohio Admin. Code §117-2-02(D)(3), provides that an appropriation ledger, which may assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution should be used. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The following conditions were noted:

- The Township purchased UAN Software but did not utilize the software during 2018 and 2017.
- The Township did not have budgetary monitoring controls and did not certify the availability of funds for commitments.
- The Township did not establish and monitor budgetary information.
- The Township issued warrants manually.

As a result, the Township did not maintain an accounting system and accounting records sufficient to enable the Township to report its transactions and prepare accurate financial statements for 2018 and 2017. There was no method established whereby the Board of Trustees and the Fiscal Officer could accurately compare budgeted to actual receipts and file any amended certificates of estimated resources when needed. Disbursements were made without being appropriated and there was no method established whereby Township management could monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function.

We recommend the Township maintain an accounting system and accounting records as set forth in Ohio Admin. Code §117-2-02.

Management's Response – The new fiscal officer began using the UAN system as of January 1, 2019. All transactions, bank reconciliations, payrolls, budgeting, etc. is processed via the UAN.

FINDING NUMBER 2018-012

Material Weakness/Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

MONROE TOWNSHIP
PERRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-012 (Continued)

Material Weakness/Noncompliance (Continued)

The law requires that employers withhold taxes from employees' paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees' share of FICA taxes and individual income taxes. See 26 U.S.C. 3102(a) and 3402(a). Those withholdings are considered to be held in "a special fund in trust for the United States." 26 U.S.C. 7501(a). The employer is liable for the withheld portion of the employee's wages and must pay over the full amount to the government each quarter. See *United States v. Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008). In addition, under Ohio law, employers are required to withhold state income taxes and school district income taxes from employees' wages and transmit the funds to the state. See Ohio Rev. Code §§ 5747.06 and 5747.07. Under Ohio Rev. Code § 5747.07(E)(2), each employer required to withhold any tax is liable for the payment of the amount required to be withheld and the amount shall be deemed to be a special fund in trust for the general revenue fund.

As Fiscal Officer, Heather Harper, was the official responsible for withholding and remitting the required income taxes from Township employee earnings. Ms. Harper resigned from her position on November 1, 2018. The new Fiscal Officer began receiving notifications from both the Internal Revenue Service and State Department of Taxation for failure to remit and report income tax withholdings from as far back as 2012. Ms. Harper withheld, as required, federal income tax, Medicare, and state income tax from the earnings of each Township employee. However, Ms. Harper failed to transmit all required funds to the appropriate agency, a gross neglect of duty amounting to reckless disregard for the Township. As a result, the Township incurred penalties, late fees, and interest from the federal government and the State of Ohio. Specifically, the total amount of penalties and interest payable accrued during her term by the Township to the federal government is \$24,828. Additionally, the Township paid the State of Ohio penalties, late fees, and interest totaling \$4,411, with \$1,421 still due.

The penalties, late fees, and interest paid by the Township serve no proper public purpose and could have been avoided had the funds been remitted as required by law.

We recommend the Fiscal Officer and Trustees ensure that all payroll withholdings are remitted in full on a timely basis. We also recommend that the Township review its procedures for monitoring of payroll cycle activity to ensure that all payroll activity is properly accounted for and that the Township is in compliance with regulations governing the withholding and remitting of employment taxes.

Management's Response – We are in agreement with the finding. We support the actions that need to be taken to recovery these funds. The fiscal officer will reach out to the State inquiring about the possibility of attaching Harper's PERS account. Given our current financial situation this debt is devastating. We are waiting to hear from the revenue officer that the IRS has assigned our account. That contact should have happened by the end of August, but as of today, we have heard nothing.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-013

Material Weakness/Noncompliance

Ohio Rev. Code § 507.09(A)(3) provides in calendar year 2017, in townships having a budget of more than two hundred fifty thousand but not more than five hundred thousand dollars, the township fiscal officer shall be entitled to compensation of fourteen thousand thirty-nine dollars.

Prior period audits identified that Heather Harper, former Fiscal Officer, was underpaid a total of \$9,526 based on the legislatively established salary amounts between January 1, 2013 and December 31, 2016. The Trustees and Fiscal Officer agreed to correct the error over the two year period beginning January 1, 2017 through December 31, 2018 through monthly payments of \$314.70. For 2017 and 2018, Ms. Harper's legislatively established annual salary would have been \$14,039. However, since Ms. Harper resigned November 1, 2018, the annual salary would have been prorated over ten months for a total of \$11,699. Ms. Harper's 2017 gross pay totaled \$17,815 and her 2018 gross pay totaled \$18,211. Ms. Harper issued check #26444 for \$1,272 the day she resigned, which resulted in the overpayment. The overpayment is shown below:

Gross salary received in 2017	\$17,815	
2017 Legislatively approved salary (full year)	<u>\$14,039</u>	
Additional amount to cover prior year underpayment		\$3,776
Gross salary received in 2018	\$18,211	
2018 Legislatively approved salary (10 months)	<u>\$11,699</u>	
Additional amount to cover prior year underpayment		\$6,512
Less:		
Total amount underpaid from the 2013-2014 audit:	(\$8,214)	
Net amount underpaid from the 2015-2016 audit:	<u>(\$1,312)</u>	
Total compensation due at 1/1/2017		<u>(\$9,526)</u>
Net overpayment upon separation at 11/1/2018		<u><u>\$762</u></u>

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State, ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

We recommend the Township compensate the Fiscal Officer in accordance with Ohio Rev. Code § 507.09, respectively.

Management's Response – We support the finding, but feel Ms. Harper should be 100% responsible for remitting the overpayment.

MONROE TOWNSHIP
PERRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-014

Noncompliance

Ohio Revised Code, § 5705.41(B), provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated. In 2018, we noted expenditures exceeding appropriations in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire District Fund, EMS Fund, EMS Apparatus Fund, and Fire Apparatus Fund by \$61,913, \$15,193, \$121,626, \$8,070, \$9,362, \$51,716, \$12,816, \$21,305, and \$17,092 and in 2017, expenditures exceeded appropriations in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire District Fund, EMS Fund, EMS Apparatus Fund, and Fire Apparatus Fund by \$67,151, \$16,836, \$76,804, \$25,250, \$12,966, \$36,386, \$9,068, \$15,247, and \$12,183, respectively.

We recommend the Board review and amend appropriations whenever necessary to help reduce the possibility of expenditures exceeding appropriations, provided sufficient resources are available.

Management's Response – The new fiscal officer is working to ensure this does not happen in the future. She will seek out additional training/resources to learn more about this process.

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Revised Code Section § 507.04	Corrected	N/A
2016-002	Bank Reconciliations	Corrected	N/A
2016-003	Ohio Revised Code Section § 507.12	Not Corrected	Repeated as Finding 2018-001
2016-004	Ohio Revised Code Section § 149.43(E)(1)	Corrected	N/A
2016-005	Ohio Revised Code Section § 135.22	Not Corrected	Repeated as Finding 2018-002
2016-006	Ohio Revised Code Section § 505.24	Not Corrected	Repeated as Finding 2018-003
2016-007	Ohio Admin. Code 117-2-02	Partially Corrected	Repeated as Finding 2018-011
2016-008	Ohio Revised Code Section § 505.24(D)	Corrected	N/A
2016-009	Ohio Revised Code Section § 507.03	Not Corrected	Repeated as Finding 2018-004
2016-010	Ohio Revised Code Section § 145.47	Corrected	N/A
2016-011	26 U.S.C. § 3102(a)	Not Corrected	Repeated as Part of Finding 2018-012
2016-012	Ohio Revised Code Section § 5747.06	Not Corrected	Repeated as Part of Finding 2018-012
2016-013	26 C.F.R. § 1.61-21	Corrected	N/A
2016-014	Formal leave policy	Corrected	N/A
2016-015	Ohio Revised Code Section § 117.38	Not Corrected	Repeated as Finding 2018-005
2016-016	Ohio Revised Code Section § 5705.38(A)	Not Corrected	Repeated as Finding 2018-006
2016-017	Ohio Revised Code Section § 149.43(B)(1)	Not Corrected	Repeated as Finding 2018-007
2016-018	Lack of segregation of duties	Corrected	N/A
2016-019	Ohio Revised Code Section § 133.15	Corrected	N/A
2016-020	Ohio Revised Code Section § 9.38	Corrected	N/A
2016-021	Budgetary information agreeing to the accounting system	Not Corrected	Repeated as Part of Finding 2018-011
2016-022	Ohio Revised Code Section § 5705.41(B)	Not Corrected	Repeated as Part of Finding 2018-014

**MONROE TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

2016-023	Personnel files	Corrected	N/A
2016-024	Ohio Revised Code Section § 5705.41(D)(1)	Not Corrected	Repeated as Finding 2018-008
2016-025	Reclassification of debt payments	Corrected	N/A
2016-026	Ohio Revised Code Section § 5705.10(l)	Not Corrected	Repeated as Finding 2018-009
2016-027	26 C.F.R. § 1.6041-2	Corrected	N/A
2016-028	GASB 54 – Fund Balance Classifications	Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



MONROE TOWNSHIP

PERRY 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
NOVEMBER 19, 2019**