



Dave Yost • Auditor of State



**MONROE TOWNSHIP  
ALLEN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Monroe Township  
Allen County  
8500 Slabtown Road  
Columbus Grove Ohio, 45830

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Monroe Township, Allen County, (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monroe Township as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report June 27, 2014, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2014

**MONROE TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$23,387	\$93,330	\$116,717
Charges for Services		24,145	24,145
Licenses, Permits and Fees		11,835	11,835
Intergovernmental	98,628	116,521	215,149
Earnings on Investments	119	36	155
Miscellaneous	4,597	7,687	12,284
Total Cash Receipts	<u>126,731</u>	<u>253,554</u>	<u>380,285</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	82,484	20,317	102,801
Public Safety		56,886	56,886
Public Works	612	138,936	139,548
Health	8,378	19,272	27,650
Capital Outlay	18,373	20,719	39,092
<b>Debt Service:</b>			
Principal Retirement		11,417	11,417
Interest and Fiscal Charges		1,090	1,090
Total Cash Disbursements	<u>109,847</u>	<u>268,637</u>	<u>378,484</u>
Excess of Receipts Over (Under) Disbursements	<u>16,884</u>	<u>(15,083)</u>	<u>1,801</u>
<b>Other Financing Receipts (Disbursements):</b>			
Other Debt Proceeds	12,500	12,500	25,000
Other Financing Uses	(5)		(5)
Total Other Financing Receipts (Disbursements)	<u>12,495</u>	<u>12,500</u>	<u>24,995</u>
Net Change in Fund Cash Balances	29,379	(2,583)	26,796
Fund Cash Balances, January 1	<u>70,235</u>	<u>219,984</u>	<u>290,219</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		209,234	209,234
Committed		8,169	8,169
Assigned			
Unassigned (Deficit)	99,614		99,614
Fund Cash Balances, December 31	<u>\$99,614</u>	<u>\$217,403</u>	<u>\$317,017</u>

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

**MONROE TOWNSHIP  
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$22,611	\$94,041		\$116,652
Charges for Services		23,714		23,714
Licenses, Permits and Fees		16,995		16,995
Intergovernmental	69,875	116,238		186,113
Earnings on Investments	142	42		184
Miscellaneous	2,526	11,375		13,901
Total Cash Receipts	<u>95,154</u>	<u>262,405</u>		<u>357,559</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	75,883	20,616		96,499
Public Safety		61,264		61,264
Public Works	551	119,539		120,090
Health	8,204	17,367		25,571
Capital Outlay	108	108,958	\$82,362	191,428
Total Cash Disbursements	<u>84,746</u>	<u>327,744</u>	<u>82,362</u>	<u>494,852</u>
Excess of Receipts Over (Under) Disbursements	<u>10,408</u>	<u>(65,339)</u>	<u>(82,362)</u>	<u>(137,293)</u>
<b>Other Financing Receipts:</b>				
Sale of Capital Assets	4,000			
Other Debt Proceeds			82,362	82,362
Total Other Financing Receipts	<u>4,000</u>		<u>82,362</u>	<u>82,362</u>
Net Change in Fund Cash Balances	14,408	(65,339)		(50,931)
Fund Cash Balances, January 1	<u>55,827</u>	<u>285,325</u>		<u>341,152</u>
<b>Fund Cash Balances, December 31:</b>				
Restricted		201,726		201,726
Committed		18,258		18,258
Assigned				
Unassigned (Deficit)	70,235			70,235
Fund Cash Balances, December 31	<u>\$70,235</u>	<u>\$219,984</u>		<u>\$290,219</u>

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

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Monroe Township, Allen 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 Columbus Grove/ Pleasant Township, Richland Township, and Sugar Creek Township to provide fire and emergency medical services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

**Public Entity Risk Pool:** The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entities risk pool.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 Auditor of State prescribes or permits.

**C. 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.

The Township held no investments. Demand deposits are valued at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. 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** - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**Fire Special Levy Fund** - This fund receives property tax money and is used to provide fire and emergency medical services.

**Emergency Equipment Special Levy Fund** - This fund receives property tax money and is used for the purchase and maintenance of fire equipment for the Volunteer Fire Department.

**3. Capital Project Funds**

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

**Fire Truck Fund** - This fund receives debt proceeds for the purchase of a fire truck.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources.

The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**2. 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.

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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:

**1. Non-spendable**

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

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**G. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

The Township maintains a deposit pool all funds use with the exception of the savings account which belongs to the Cemetery Endowment Fund. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits and investments at December 31 was as follows:

	<b>2013</b>	<b>2012</b>
Demand deposits	\$316,077	\$289,279
Savings account	940	940
Total deposits	\$317,017	\$290,219

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

**2013 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$94,477	\$139,231	\$44,754
Special Revenue	259,902	266,054	6,152
Total	\$354,379	\$405,285	\$50,906

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$164,712	\$109,852	\$54,860
Special Revenue	478,935	268,637	210,298
Total	\$643,647	\$378,489	\$265,158

**2012 Budgeted vs. Actual Receipts**

<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$104,908	\$99,154	(\$5,754)
Special Revenue	226,333	262,405	36,072
Capital Projects		82,362	82,362
Total	\$331,241	\$443,921	\$112,680

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$160,735	\$84,746	\$75,989
Special Revenue	512,366	327,744	184,622
Capital Projects		82,362	(82,362)
Total	\$673,101	\$494,852	\$178,249

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Actual receipts exceeded budgeted receipts and actual disbursements exceed appropriations in the Capital Projects Fund. This was the result of the Township not budgeting for debt proceeds paid directly to the vendor (on-behalf). Since there we no actual receipts or disbursements there was not a negative budgetary impact.

Ohio Rev. Code Section 5705.10(l) was violated when some disbursements were paid from funds that were not allowable or did not agree to supporting documentation.

**4. PROPERTY TAX**

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

Public utilities are also taxed on personal 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.

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Loan	\$70,945	1.75%
Tractor Loan	25,000	1.70%
Total	<u>\$95,945</u>	

The Township obtained a loan on November 16, 2012, in the amount of \$82,362, to finance the purchase of a fire truck. The loan requires semi-annual principal and interest payments of \$6,253.63 beginning March 1, 2013 with the final payment due September 1, 2019. The loan will be repaid from the Special Revenue Fire Special Levy and Special Revenue Equipment Special Levy funds.

The Township obtained a loan on December 30, 2013, in the amount of \$25,000, to finance the purchase of a utility tractor. The loan requires semi-annual principal and interest payments of \$2,618.40 beginning June 30, 2014 with the final payment due December 30, 2018. The loan will be repaid from General and Special Revenue Gasoline Tax funds.

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

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. DEBT (Continued)**

Year ending December 31:	<u>General Obligation Notes</u>
2014	\$17,744
2015	17,744
2016	17,744
2017	17,744
2018	17,744
2019-2023	12,507
Total	<u><u>\$101,227</u></u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012 OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. RISK MANAGEMENT**

**A. Risk Pool Membership**

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.

**B. 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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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.

**C. 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, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<b>Contributions to OTARMA</b>	
<b>2013</b>	<b>2012</b>
\$10,711	\$10,974

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.

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# Dave Yost • Auditor of State

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

Monroe Township  
Allen County  
8500 Slabtown Road  
Columbus Grove, Ohio 45830

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 Monroe Township, Allen County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-002 and 2013-003 described in the accompanying schedule of findings to be significant deficiencies.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-003.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

June 27, 2014

**MONROE TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2013-001**

**Material Weakness**

**Accuracy and Completeness of Financial Reporting**

The Township should have procedures and controls in place to prevent and detect errors and omissions in the financial statements and accounting records. The following errors and omissions were identified in the accounting records and/or year-end financial statements:

- In 2013, loan proceeds in the amount of \$25,000 for the purchase of a utility tractor paid directly to the vendor (on-behalf) by the lending institution were not recorded in the accounting records or financial statements. The General Fund and Special Revenue Gasoline Tax Fund were each responsible for one half of the loan obligation. As a result \$12,500 of loan proceeds should have been recorded within each fund with an equal amount reported as capital outlay.
- In 2013, the ending fund balance of the Special Revenue Road and Bridge Fund, in the amount of \$7,229, was classified as restricted on the financial statements. Since the balance of this fund is from in-side tax millage allocated to the fund by the Trustees the correct classification is committed.
- In 2013, principal payments in the amount of \$11,417 and interest payments in the amount of \$1,090 were classified as capital outlay within the Special Revenue funds responsible for the debt payments.
- In 2012, loan proceeds, in the amount of \$82,362 for the purchase of a fire truck, paid directly to the vendor (on-behalf) by the lending institution were not recorded in a capital projects fund in either the accounting records or financial statements.
- In 2012, the ending fund balance of the Special Revenue Road and Bridge Fund, in the amount of \$17,318, was classified as restricted on the financial statements. Since the balance of this fund is from in-side tax millage allocated to the fund by the Trustees the correct classification is committed.
- In 2013 and 2012, the opening and ending fund balance in the amount of \$940 belonging to the Permanent Cemetery Endowment Fund was reclassified to the Special Revenue Fund type since the Township did not have the trust agreement supporting the establishment of the fund.

Errors and omissions in the accounting records and/or financial statements inhibit the ability of both the Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information errors reduce the likelihood that irregularities will be detected in a timely manner. The accompanying financial statements have been adjusted to correct the errors noted above. Finally, the Township's accounting records will be adjusted at year-end to reclassify the Permanent Cemetery Endowment Fund.

The Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State Website <https://ohioauditor.gov/> for guidance in recording of financial activity. In addition, Auditor of State Bulletin 2000-008 should be reviewed for guidance in the recording and budgeting of on-behalf payments. The Fiscal Officer and Trustees should review the accounting records and annual financial statements to help detect errors and omissions.

**FINDING NUMBER 2013-002**

**Significant Deficiency**

**Classification of Financial Activity**

The Township should have procedures and controls in place to prevent and detect financial activity classification errors in the financial statements and accounting records. The following classification errors were identified in the accounting records and year-end financial statements with regards to property taxes:

<b>2013</b>	<b>Amount</b>	<b>Township Classification</b>	<b>Ohio township Handbook Classification</b>
General Fund	\$1,390	Property Taxes	Intergovernmental
Special Revenue Road and Bridge Fund	2,190	Property Taxes	Intergovernmental
Special Revenue Fire Special Levy Fund	2,528	Property Taxes	I Intergovernmental
Special Revenue Equipment Special Levy Fund	1,264	Property Taxes	Intergovernmental

  

<b>2012</b>	<b>Amount</b>	<b>Township Classification</b>	<b>Ohio Township Handbook Classification</b>
General Fund	\$2,004	Property Taxes	Intergovernmental
General Fund	4,000	Miscellaneous Revenue	Sale of Capital Assets
Special Revenue Road and Bridge Fund	3,155	Property Taxes	Intergovernmental
Special Revenue Fire Levy Fund	3,643	Property Taxes	Intergovernmental
Special Revenue Equipment Special Levy Fund	1,822	Property Taxes	Intergovernmental

Classification errors in the accounting records and financial statements inhibit the ability of both the Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State Website <https://ohioauditor.gov/> for guidance in recording of financial activity. The Fiscal Officer and Trustees should review the accounting records and annual financial statements to help detect errors and omissions.

**FINDING NUMBER 2013-003**

**Significant Deficiency / Noncompliance Citation**

**Allowable Disbursements From Funds**

**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. The following disbursements were recorded in funds in which the purpose of the disbursement did not agree with the purpose for which the fund was established:

- In 2013, debt payments of \$4,507 for the purchase of a fire truck were charged to the Special Revenue Fire & Rescue Ambulance EMS Fund instead of the Special Revenue Equipment Special Levy Fund.

**FINDING NUMBER 2013-003**  
**(Continued)**

- During 2013 and 2012, wages were not always allocated to funds according to the employees' certifications. In 2013, \$114 and \$48 of wages were charged to the Special Revenue Gasoline Tax and the Special Revenue Fire Levy fund, respectively, instead of being charged to the Special Revenue Road and Bridge and Cemetery funds in the amounts of \$92 and \$70 respectively. In 2012, \$634 was charged to the Special Revenue Road and Bridge Fund, \$143 to the Special Revenue Cemetery Fund, and \$61 to the Special Revenue Fire Levy Fund instead of \$838 being charged to the Special Revenue Gasoline Tax Fund. Also, \$2,211 in salary expense for the General Fund was incorrectly charged to the Special Revenue Gasoline Tax fund, Road and Bridge Fund, Cemetery Fund, and the Fire Equipment levy Fund in the amounts of \$1,824, \$138, \$70, and \$179, respectively.
- During 2013 and 2012, the wages of the Fiscal Officer and Trustees were not always allocated to the funds as certified. In 2013, \$188 was charged to the Special Revenue Cemetery Fund and \$118 was charged to the Special Revenue Fire and Rescue Ambulance EMS Services Fund instead of charging \$89 to the Special Revenue Gasoline Tax Fund, \$15 to the General Fund, and \$202 to the Special Revenue Road and Bridge Fund. In 2012, \$460 was charged to the Special Revenue Gasoline Tax Fund, \$65 was charged to the Special Revenue Road and Bridge Fund, \$143 was charged to the Special Revenue Cemetery Fund, and \$866 was charged to the Special Revenue Fire and Rescue Ambulance EMS Services Fund instead of \$1,548 being charged to the General Fund.

The failure to charge disbursements to the appropriate fund(s) results in the illegal use of restricted money. In addition, it results in an inaccurate picture of operations and may result in the material misstatement of the financial statements.

Disbursements should be charged to funds based on the supporting documentation and whether or not the purpose agrees with the purpose for which the fund was established. Periodically the Fiscal Officer and Trustees should review the accounting records to help assure only permissible disbursements are charged to each fund.

**OFFICIALS' RESPONSE:**

We did not receive a response from Officials to the Findings reported above.

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# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**ALLEN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2014**