

MONROE TOWNSHIP  
LOGAN COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2015 and 2014





# Dave Yost • Auditor of State

Board of Trustees  
Monroe Township  
6886 County Road 28  
West Liberty, Ohio 43557

We have reviewed the *Independent Auditor's Report* of Monroe Township, Logan County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 26, 2016

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Monroe Township  
Logan County, Ohio

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## INDEPENDENT AUDITOR'S REPORT

Monroe Township  
Logan County, Ohio  
6886 County Road 28  
West Liberty, Ohio 43357

To the Board of Trustees:

### Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Monroe Township, Logan County, (the Township), as of and for the years ended December 31, 2015 and 2014.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

As described in Note 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 (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, 2015 and 2014, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monroe Township, Logan County, as of December 31, 2015 and 2014, 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 dated June 30, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

*Van Kevel + Company*

Monroe Township  
Logan County, Ohio  
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2015

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 70,868	\$ 107,688	\$ -	\$ 178,556
Licenses, Permits, and Fees	4,374	-		4,374
Intergovernmental Receipts	32,516	112,107	34,774	179,397
Earnings on Investments	401	1,007		1,408
Miscellaneous	153	1,102		1,255
<b>Total Cash Receipts</b>	<b>108,312</b>	<b>221,904</b>	<b>34,774</b>	<b>364,990</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	39,930	41,083		81,013
Public Safety	28,186	-		28,186
Public Works		212,431	34,774	247,205
Health	1,429	19,548		20,977
Other	43	100		143
Capital Outlay		29,500		29,500
<b>Total Cash Disbursements</b>	<b>69,588</b>	<b>302,662</b>	<b>34,774</b>	<b>407,024</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>38,724</b>	<b>(80,758)</b>	<b>-</b>	<b>(42,034)</b>
Fund Cash Balances, January 1	107,260	703,134	19,859	830,253
<b>Fund Cash Balances, December 31</b>	<b>\$145,984</b>	<b>\$622,376</b>	<b>\$ 19,859</b>	<b>\$ 788,219</b>
Restricted		622,376	5,500	627,876
Committed			14,359	14,359
Assigned	145,984			145,984
Unassigned	-			-
<b>Fund Cash Balances, December 31</b>	<b>\$145,984</b>	<b>\$622,376</b>	<b>\$19,859</b>	<b>\$788,219</b>



Monroe Township  
Logan County, Ohio  
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2014

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 71,478	\$ 109,103	\$ -	\$ 180,581
Charges for Services		349	-	349
Licenses, Permits, and Fees	3,068	-		3,068
Intergovernmental Receipts	21,676	110,025	82,554	214,255
Earnings on Investments	294	1,021		1,315
Miscellaneous	245	1,425		1,670
<b>Total Cash Receipts</b>	<b>96,761</b>	<b>221,923</b>	<b>82,554</b>	<b>401,238</b>
<b>Cash Disbursements:</b>				
Current:				
General Government	63,691	43,322		107,013
Public Safety	24,411	-		24,411
Public Works		53,652	82,554	136,206
Health		17,865		17,865
Other		100		100
Capital Outlay		2,302		2,302
<b>Total Cash Disbursements</b>	<b>88,102</b>	<b>117,241</b>	<b>82,554</b>	<b>287,897</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>8,659</b>	<b>104,682</b>	<b>-</b>	<b>113,341</b>
Fund Cash Balances, January 1	98,601	598,452	19,859	716,912
<b>Fund Cash Balances, December 31</b>	<b>\$107,260</b>	<b>\$703,134</b>	<b>\$ 19,859</b>	<b>\$ 830,253</b>
Restricted		703,134	5,500	708,634
Committed			14,359	14,359
Assigned	107,260			107,260
Unassigned	-			-
<b>Fund Cash Balances, December 31</b>	<b>\$107,260</b>	<b>\$703,134</b>	<b>\$19,859</b>	<b>\$830,253</b>

Monroe Township  
Logan County, Ohio

Notes to the Financial Statements  
December 31, 2015 and 2014

**NOTE 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 Monroe Township, Logan County, (the Township) as a body corporate and politic. The Township is directed by a publicly-elected three-member Board of Trustees. The Township also has an elected Fiscal Officer. The Township provides general governmental services, including road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of West Liberty to provide fire and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 6 to the financial statements provides additional information for this entity.

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

**B Accounting Basis**

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 117-02-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03(D).

**C Cash and Investments**

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

**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 reports all financial resources except those required to be accounted for in another fund.

Monroe Township  
Logan County, Ohio

Notes to the Financial Statements  
December 31, 2015 and 2014

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D Fund Accounting (continued)**

**2 Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Gasoline Tax Fund* – This fund receives gasoline tax monies to pay for constructing, maintaining and repairing Township roads.

*Road and Bridge Fund* – This fund receives property tax monies to pay for constructing, maintaining and repairing Township roads.

*Roads 04 Special Levy Fund* – This fund receives property tax monies from a road levy passed in 1999 and renewed in 2014 to pay for constructing, maintaining and repairing Township roads.

**3 Capital Projects Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

*County Sales Tax Fund* – This fund accounts for Logan County sales tax monies spent on behalf of the Township for maintaining and repairing Township roads.

*Public Works Projects* – This fund accounts for Issue II monies spent on behalf of the Township for maintaining and repairing Township roads.

**E Budgetary Process**

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

Monroe Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E Budgetary Process (continued)**

1 Appropriations

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

2 Estimated Resources

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

3 Encumbrances

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

A summary of the 2015 and 2014 budgetary activity appears in Note 3.

**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:

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

*Restricted* – A 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.

Monroe Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F Fund Balance (continued)**

*Assigned* – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution or by State Statute.

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balances, committed amounts are reduced first, followed by assigned and the 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.

**H 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.

**NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2015</u>	<u>2014</u>
Demand Deposits	\$582,909	\$675,691
Certificates of Deposit	<u>205,310</u>	<u>154,562</u>
Total Deposits	<u>\$788,219</u>	<u>\$830,253</u>

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

Monroe Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 3 BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2015, follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 99,086	\$ 108,312	\$ 9,226
Special Revenue	215,785	221,904	6,119
Capital Projects	34,774	34,774	-
Totals	\$ 349,645	\$ 364,990	\$ 15,345

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 217,972	\$ 69,588	\$ 148,384
Special Revenue	697,446	302,662	394,784
Capital Projects	54,633	34,774	19,859
Totals	\$ 970,051	\$ 407,024	\$ 563,027

Budgetary activity for the year ending December 31, 2014, follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 81,464	\$ 96,761	\$ 15,297
Special Revenue	203,500	221,923	18,423
Capital Projects	82,554	82,554	-
Totals	\$ 367,518	\$ 401,238	\$ 33,720

Monroe Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 3 BUDGETARY ACTIVITY (continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 180,064	\$ 88,102	\$ 91,962
Special Revenue	646,478	117,241	529,237
Capital Projects	102,413	82,554	19,859
Totals	\$ 928,955	\$ 287,897	\$ 641,058

Contrary to Ohio law, appropriations exceeded total estimated resources in the General fund by \$11,626 for the year ended December 31, 2015.

**NOTE 4 PROPERTY TAXES**

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

Public utilities are also taxed on personal and real property located within the Township.

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

**NOTE 5 RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, and the Township contributed an amount equal to 14% of the participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Monroe Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 6 RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) (York or Management) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (AEEP) 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, 2015, 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 primarily 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 net position at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Position	<u>\$28,894,793</u>	<u>\$27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 million and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.



Monroe Township  
Logan County, Ohio

Notes to Financial Statements  
December 31, 2015 and 2014

**NOTE 6 RISK MANAGEMENT (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>Year</u>	<u>Contribution</u>
2015	\$4,301
2014	4,222

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.

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

Monroe Township  
Logan County, Ohio  
6886 County Road 28  
West Liberty, Ohio 43357

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Monroe Township, Logan County, (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated June 30, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies, resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2015-001 and 2015-002 described in the accompanying Schedule of Findings to be material weaknesses.

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 Finding 2015-003 described in the accompanying Schedule of Findings to be a significant deficiency.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2015-002.

### **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.

*Van Knevel & Company*

Dublin, Ohio

June 30, 2016

Monroe Township  
Logan County

Schedule of Findings  
December 31, 2015 and 2014

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

**Finding Number 2015-001**

**Material Weakness - Financial Reporting**

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, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook provides suggested account classifications. These accounts classify receipts by fund and source and classify disbursements by fund, program (general government, for example) or object. By using these classifications, accounting records will provide the Township with information required to monitor compliance with the budget and prepare annual financial reports in the format required by the Auditor of State.

During 2015 and 2014, the following errors were noted in the financial statements that required reclassification:

In 2015:

Health payments of \$19,548 were posted to General Government in the Road and Bridge Fund.  
Health payments of \$1,429 were posted to General Government in the General Fund.  
Public Safety payments of \$28,186 were posted to General Government in the General Fund.  
Public Works payments of \$2,425 were posted to Public Safety in the Gas Tax Fund.  
One half of the fiscal officer's salary and related benefits in the amount of \$9,952 was posted to the Gas Tax Fund.

In 2014:

Health payments of \$17,340 were posted to General Government in the Road and Bridge Fund.  
Public Safety payments of \$24,411 were posted to General Government in the General Fund.  
Public Works payments of \$5,657 were posted to Public Safety in the Gas Tax Fund.  
One half of the fiscal officers' salaries and related benefits in the amount of \$11,626 was posted to the Gas Tax Fund.

Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

Adjustments, with which the Township management agrees, have been made and reflected in the accompanying financial statements, and where applicable, the accounting records in order to accurately reflect the Township's financial activity.

Monroe Township  
Logan County

Schedule of Findings  
December 31, 2015 and 2014

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

**Finding Number 2015-001 (continued)**

We recommend the Fiscal Officer refer to the Ohio Township Manual, the UAN Manual, and Auditor of State Bulletins for guidance in the recording of revenues and expenditures.

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

**Finding Number 2015-002**

**Noncompliance and Material Weakness**

Ohio Revised Code Section 507.09(E) states that a township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

During 2015 and 2014, the fiscal officers were paid from the General Fund and the Gas Tax Fund. No supporting documentation was provided to support the restricted funds from which the fiscal officers were paid.

This resulted in adjustments of 2015 and 2014 salaries (and benefits) totaling \$9,952 and \$11,626, respectively, from the Gas Tax Fund to the General Fund. The adjustments, to which the Township has agreed, have been reflected in the accompanying financial statements. This resulted in the appropriations exceeding the total estimated resources in the General Fund by \$11,626 for the year ended December 31, 2015, which is contrary to Ohio Revised Code Section 5705.39.

We recommend, if an allocation of the fiscal officer's salary and benefits is to be made, the fiscal officer certify the percentage of time spent on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

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

Monroe Township  
Logan County

Schedule of Findings  
December 31, 2015 and 2014

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

**Finding Number 2015-003**

**Significant Deficiency**

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

In addition, GASB Statement No. 54, paragraph 10 defines committed fund balance as those amounts that can be used only for specific purposes pursuant to constraints imposed by the highest level of decision making authority.

The Township did not include the excess of appropriations to estimated receipts as an assigned fund balance in the General Fund at December 31, 2015 and 2014. This resulted in an adjustment of \$145,984 and \$107,260 at December 31, 2015 and 2014, respectively, from unassigned to assigned fund balance. Additionally, the Township improperly classified the New Garage Construction Fund as restricted rather than committed in the Capital Projects Fund at December 31, 2015 and 2014. This resulted in an adjustment of \$14,359 at December 31, 2015 and 2014 from restricted to committed fund balance. As a result, audit adjustments, to which management has agreed, are reflected in the accompanying financial statements.

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

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



# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**LOGAN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 9, 2016**