

Monroe Township

Adams County

January 1, 2010 through December 31, 2011

Years Audited Under GAGAS: 2011 and 2010



## **Caudill & Associates, CPA**

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# Dave Yost • Auditor of State

Board of Trustees  
Monroe Township  
956 Gift Ridge Road  
Manchester, Ohio 45155

We have reviewed the *Independent Auditor's Report* of Monroe Township, Adams County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the Independent Auditor's Report on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The Independent Auditor's Report also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

November 27, 2012

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**Monroe Township  
Adams County**

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For the Years Ended December 31, 2011 and 2010*

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## Independent Auditor's Report

Monroe Township  
Adams County  
956 Gift Ridge Road  
Manchester, Ohio 45155

To the Township Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Adams County, (the Township), for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Monroe Township  
Adams County  
Independent Auditor's Report

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010, of Monroe Township, Adams County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 8, during 2011, Monroe Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 06, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Caudill & Associates, CPA*

Caudill & Associates, CPA  
August 06, 2012



**Monroe Township**  
**Adams County**  
*Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2011*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 78,427	\$ 240,189	\$ 318,616
Intergovernmental	86,211	199,668	285,879
Earnings on Investments	50	-	50
Miscellaneous	952	15	967
	<u>165,640</u>	<u>439,872</u>	<u>605,512</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	116,605	6,369	122,974
Public Safety	15,874	47,835	63,709
Public Works	-	147,231	147,231
Debt Service:			
Redemption of Principal	-	14,144	14,144
	<u>132,479</u>	<u>215,579</u>	<u>348,058</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	33,161	224,293	257,454
Other Financing Receipts / (Disbursements):			
Other Financing Sources	2,423	-	2,423
	<u>2,423</u>	<u>-</u>	<u>2,423</u>
Total Other Financing Receipts / (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	35,584	224,293	259,877
Fund Cash Balances, January 1	<u>65,910</u>	<u>727,943</u>	<u>793,853</u>
Fund Cash Balance, December 31			
Restricted	-	952,236	952,236
Unassigned (Deficit)	<u>101,494</u>	<u>-</u>	<u>101,494</u>
Fund Cash Balances, December 31	<u>\$ 101,494</u>	<u>\$ 952,236</u>	<u>\$ 1,053,730</u>

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

**Monroe Township**  
**Adams County**  
*Combined Statement of Cash Receipts, Cash Disbursements and  
Changes in Fund Cash Balances*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2010*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 75,219	\$ 233,019	\$ 308,238
Intergovernmental	80,840	151,495	232,335
Earnings on Investments	51	-	51
Miscellaneous	400	271	671
	<u>156,510</u>	<u>384,785</u>	<u>541,295</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	119,385	5,541	124,926
Public Safety	16,307	36,233	52,540
Public Works	17,440	175,626	193,066
Debt Service:			
Redemption of Principal	-	18,551	18,551
Interest and Fiscal Charges	-	22	22
	<u>153,132</u>	<u>235,973</u>	<u>389,105</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	3,378	148,812	152,190
Other Financing Receipts(Disbursements):			
Other Financing Uses	-	(3,310)	(3,310)
	<u>-</u>	<u>(3,310)</u>	<u>(3,310)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,378	145,502	148,880
Fund Cash Balances, January 1	<u>62,532</u>	<u>582,441</u>	<u>644,973</u>
Fund Cash Balances, December 31	<u>\$ 65,910</u>	<u>\$ 727,943</u>	<u>\$ 793,853</u>

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

**MONROE TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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, Adams 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 and fire protection. The Township contracts with the Manchester Township to provide ambulance services.

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 funds are deposited in an interest-bearing checking account. All 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 reports all financial resources except those required to be accounted for in another fund.

**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:

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

**MONROE TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Special Revenue Funds (Continued)**

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Fire Fund - This fund receives tax money to pay for maintenance and repair of fire department equipment and buildings, purchase of equipment, and payment to volunteer firefighters.

**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. 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 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 carried over, and need not be re-appropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, 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. Nonspendable**

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

**MONROE TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**F. Fund Balance (Continued)**

**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  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2011	2010
Demand deposits	\$1,053,730	\$793,853

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,428	\$168,063	\$32,635
Special Revenue	374,083	439,872	65,789
Total	\$509,511	\$607,935	\$98,424

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,517	\$132,479	\$71,038
Special Revenue	1,095,952	215,579	880,373
Total	\$1,299,469	\$348,058	\$951,411

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$152,839	\$156,510	\$3,671
Special Revenue	379,371	384,785	5,414
Total	\$532,210	\$541,295	\$9,085

**MONROE TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,043	\$153,132	\$49,911
Special Revenue	951,130	239,283	711,847
Total	\$1,154,173	\$392,415	\$761,758

**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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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, 2011 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$77,795	0.00%
Total	\$77,795	

The Township was awarded an interest free loan from the Ohio Public Works Commission in the amount of \$212,164 on September 15, 2001 and received the loan proceeds on September 16, 2002. The loan will be repaid for a period of fifteen years at 0% in the annual amount of \$14,144. The loan was for the purpose of restructuring Brush Creek Road Phase One.

On February 12, 2007, the Township obtained a loan from Fifth Third Bank in the amount of \$26,443 for the purpose of purchasing a tractor for the road maintenance crew. The loan will be repaid over a period of three years at an interest rate of 5.81%. The loan was retired in February 2010.

**MONROE TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	Ohio Public Works Commission
2012	\$14,144
2013	14,144
2014	14,144
2015	14,144
2016	14,144
Thereafter	7,075
Total	<u><u>\$77,795</u></u>

**6. Retirement Systems**

The Township's officials and employees (excluding volunteer firefighters) belong to the Ohio Public Employees Retirement System (OPERS). OPERS are 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 2011 and 2010, 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, 2011.

All volunteer fire department employees began contributing to Social Security in 2005. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2011, employees contributed 4.2% of their gross wages and the Township contributed an amount equal to 6.2% of participants' gross salaries through December 31, 2011.

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$11,000.

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

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$13,713	\$11,904

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  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**8. Change In Accounting Principles**

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on actual fund balances.



## Caudill & Associates, CPA

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### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Monroe Township  
Adams County  
956 Gift Ridge Road  
Manchester, Ohio 45155

To the Township Board of Trustees:

We have audited the financial statements of Monroe Township, Adams County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 06, 2012, wherein we noted the Township adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) in 2011. The Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider significant deficiencies in internal control over financial reporting. We consider findings 2011-02 through 2011-003 to be significant deficiencies. 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.

Monroe Township  
Adams County

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards  
(Continued)

### **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, providing an opinion 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 are described in the accompanying schedule of findings and responses costs as item 2011-001.

We intend this report solely for the information and use of management, Board of Trustees, Auditor of State and others within the Township. We intend it for no one other than these specified parties.

*Caudill & Associates, CPA*

Caudill & Associates, CPA

August 06, 2012

**Monroe Township**  
**Adams County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding Number 2011-001**

**Noncompliance Citation - Proper Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The statute provides the following exception to this basic requirement:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$3,000 for political subdivisions other than counties may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Seven percent of non-payroll disbursements tested in 2010 and three percent in 2011 were not encumbered prior to commitment in accordance with the Ohio Revised Code. We recommend the Township adopt the appropriate procedures to ensure that encumbrances are certified timely in accordance with the Ohio Revised Code, or that exceptions are utilized as appropriate.

**Township Response:**

The Township will consider using super blanket certificates.

**Finding Number 2011-002**

**Significant Deficiency - Budgetary Information Within Accounting System**

Proper classification of budgeted receipts and disbursements is pertinent to a properly functioning control environment. Officials of the Township rely on information recorded within the UAN system to make spending and budgeting decisions. Several instances were identified from both years of the audit period where budgetary allocations recorded within UAN were not in agreement with the Board-approved documents. We recommend the Township review budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information included within the accounting system is in agreement with formal approved documents.

**Township Response:**

The Township chose not to respond.

**Monroe Township**  
**Adams County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**Finding Number 2011-003**

**Significant Deficiency - Misclassification of Receipts and Disbursements**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112, as amended by SAS No. 115, establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This standard requires the auditor to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

The Township erroneously posted several receipts and disbursements to incorrect line items. This required reclassifications to properly present the financial activity of the Township in both years. We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

**Township Response:**

The Township chose not to respond.

**Monroe Township**  
**Adams County**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2011 and 2010*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.41(D) – Proper certification of funds	No	Reissued as Finding 2011-001
2009-002	Significant Deficiency – Budgetary Information Within Accounting System	No	Reissued as Finding 2011-002
2009-003	Significant Deficiency – Misclassification of receipts and disbursements	No	Reissued as Finding 2011-003

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# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 11, 2012**