



Dave Yost • Auditor of State

MONROE TOWNSHIP
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Monroe Township
Preble County
2159 Kimmel Rd.
Eldorado, Ohio 45321

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Monroe Township, Preble 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 adverse 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.

Basis for Adverse Opinion

Ohio Rev. Code Section 505.24(C) requires that the compensation of township trustees be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. The Township did not maintain appropriate supporting documentation and certification of time spent for all payments from other township funds. In addition, the Township had Findings for Adjustments from prior audits that have not been adjusted. The Township has not posted adjustments to their accompanying financial statements or accounting records.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, the combined cash balances of Monroe Township, Preble County 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.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Township will continue as a going concern. As discussed in Note 8 to the financial statements, the Township has not posted adjustments to their General Fund. If the Township made these adjustments, the General Fund balance as of December 31, 2013 would be (\$66,944). A negative General Fund balance may raise substantial doubt about the Township's ability to continue as a going concern. Note 9 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2014

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**MONROE TOWNSHIP
PREBLE 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>
Cash Receipts:			
Property and Other Local Taxes	\$18,830	\$146,309	\$165,139
Intergovernmental	43,286	118,416	161,702
Earnings on Investments	54	34	88
Miscellaneous	9,582	1,218	10,800
Total Cash Receipts	<u>71,752</u>	<u>265,977</u>	<u>337,729</u>
Cash Disbursements:			
Current:			
General Government	39,724	4,045	43,769
Public Safety		97,927	97,927
Public Works	58	121,388	121,446
Health	18,529	289	18,818
Conservation-Recreation		289	289
Total Cash Disbursements	<u>58,311</u>	<u>223,938</u>	<u>282,249</u>
Excess of Receipts Over Disbursements	<u>13,441</u>	<u>42,039</u>	<u>55,480</u>
Other Financing Receipts :			
Other Financing Sources	<u>158</u>		<u>158</u>
Total Other Financing Receipts	<u>158</u>		<u>158</u>
Net Change in Fund Cash Balances	13,599	42,039	55,638
Fund Cash Balances, January 1	<u>14,142</u>	<u>83,022</u>	<u>97,164</u>
Fund Cash Balances, December 31:			
Restricted		125,061	125,061
Assigned	21,367		21,367
Unassigned (Deficit)	<u>6,374</u>		<u>6,374</u>
Fund Cash Balances, December 31	<u>\$27,741</u>	<u>\$125,061</u>	<u>\$152,802</u>

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

**MONROE TOWNSHIP
PREBLE 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>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$18,844	\$148,718	\$167,562
Intergovernmental	25,240	118,813	144,053
Earnings on Investments	97	17	114
Miscellaneous	9,040	3,568	12,608
Total Cash Receipts	<u>53,221</u>	<u>271,116</u>	<u>324,337</u>
Cash Disbursements:			
Current:			
General Government	46,975	4,587	51,562
Public Safety		100,126	100,126
Public Works	58	120,531	120,589
Health	17,557	339	17,896
Capital Outlay		14,894	14,894
Total Cash Disbursements	<u>64,590</u>	<u>240,477</u>	<u>305,067</u>
Net Change in Fund Cash Balances	(11,369)	30,639	19,270
Fund Cash Balances, January 1	<u>25,511</u>	<u>52,383</u>	<u>77,894</u>
Fund Cash Balances, December 31:			
Restricted		83,022	83,022
Assigned	13,662		13,662
Unassigned (Deficit)	480		480
Fund Cash Balances, December 31	<u>\$14,142</u>	<u>\$83,022</u>	<u>\$97,164</u>

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

**MONROE TOWNSHIP
PREBLE 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, Preble 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 cemetery maintenance. The Township contracts with the Villages of Eldorado and West Manchester to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool, which is available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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 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.

Investments in STAR Ohio are recorded at share values that STAR Ohio funds report.

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.

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:

**MONROE TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Special Fire Levy Fund - This fund receives property tax money to pay for fire protection for Township residents.

E. Budgetary Process

The Ohio Revised Code requires that each fund 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. Unencumbered 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 carried over, and need not be re-appropriated.

A summary of 2013 and 2012 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:

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact. The Township did not have any non-spendable fund balance.

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.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The Township did not have any committed fund balance.

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.

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.

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:

	2013	2012
Demand deposits	\$116,858	\$61,308
Other time deposits (savings and NOW accounts)	35,236	35,148
Total deposits	152,094	96,456
STAR Ohio	708	708
Total investments	708	708
Total deposits and investments	\$152,802	\$97,164

**MONROE TOWNSHIP
PREBLE COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,673	\$71,910	\$38,237
Special Revenue	260,795	265,977	5,182
Total	<u>\$294,468</u>	<u>\$337,887</u>	<u>\$43,419</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,335	\$58,311	(\$10,976)
Special Revenue	340,170	223,938	116,232
Total	<u>\$387,505</u>	<u>\$282,249</u>	<u>\$105,256</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$53,135	\$53,221	\$86
Special Revenue	271,113	271,116	3
Total	<u>\$324,248</u>	<u>\$324,337</u>	<u>\$89</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,000	\$64,590	\$9,410
Special Revenue	307,536	240,477	67,059
Total	<u>\$381,536</u>	<u>\$305,067</u>	<u>\$76,469</u>

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriations by (\$10,976) during 2013 in the General Fund.

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.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

4. PROPERTY TAX (Continued)

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. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, 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.

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. (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.

A. 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.

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.

B. 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:

**MONROE TOWNSHIP
PREBLE COUNTY**

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

6. RISK MANAGEMENT (Continued)

	2013	2012
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 \$3,173.

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.

Contributions to OTARMA	
2013	2012
\$5,769	\$5,697

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.

7. COMPLIANCE

The Township did not keep proper documentation to pay Trustees' salaries out of the Road and Bridge and Gasoline Tax Funds.

8. GOING CONCERN/NEGATIVE GENERAL FUND BALANCE

The Township has not posted adjustments to their General Fund for six years (three audit periods). These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2013 would be (\$66,944).

A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

9. MANAGEMENT PLAN

Monroe Township is aware of the Auditor of State's concerns over the manner in which the Trustee's salaries have been paid. The Trustees have been preparing at the end of the month a daily summary of their Township activities. These summaries appear to have been out of line with the allocation authorized at the beginning of each year. The Trustees have prepared these summaries since January 2010 and have tried to honestly reflect work done. The Township will be seeking legal assistance to address the large audit adjustments required by the Auditor of State. We will also attempt to monitor the monthly summaries to achieve salary in proportion to time worked in the many activities required of a small township with limited resources.

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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
Preble County
2159 Kimmel Rd.
Eldorado, Ohio 45321

To the Township 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 Monroe Township, Preble, (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 September 24, 2014 wherein we issued an adverse opinion for findings for adjustments that have not been recorded in the accounting records and the financial statements were not adjusted. We also 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. 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. 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-002.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 24, 2014

**MONROE TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Noncompliance/Material Weakness/Finding for Adjustment

Ohio Rev. Code § 505.24(C) states, in part, that a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

During their organizational meetings in both 2013 and 2012, the Township Trustees determined to pay the salaries of the Trustees from the General Fund, 75% from the Gasoline Tax Fund for the first six months of the year and 75% from the Road and Bridge Fund for the second six months of the year. The minutes stated that the Trustees were required to certify their time.

The Trustees did not certify the percentage of time spent working on matters that were to be paid from funds other than the general fund. Therefore, the Auditor of State had to review the Trustees' time sheets. Not all of the Trustees' time sheets supported the allocation as passed in the organizational meeting. The description of activities provided in the documentation in some cases did not match with the allocations provided, which did not match the initial determination of allocation. The Auditor of State allowed the Township Trustees' to prepare retroactive certifications for the months that the Trustees pay allocations were supported by detail time sheets. Due to the lack of adequate support and lack of certification, an adjustment must be made to pay all of the Trustees' salaries from the General Fund.

The following combined adjustments were proposed to allocate the 2012 and 2013 activity proportionately to the proper fund:

<u>Year</u>	<u>Fund</u>	<u>Fund Balance Adjustment</u>	<u>Function Adjustment</u>	
2012	General	(\$19,220)	\$19,220	General Government
	Road and Bridge	8,423	(8,423)	Public Works
	Gasoline Tax	10,797	(10,797)	Public Works
2013	General	(12,772)	12,772	General Government
	Road and Bridge	5,198	(5,198)	Public Works
	Gasoline Tax	7,574	(7,574)	Public Works

We also noted that in the prior audit period expenditures were made from the Gasoline Tax Fund as well as the Road and Bridge Fund that should have been made from the General Fund, as follows:

<u>Year</u>	<u>General Fund</u>	<u>Gasoline Tax Fund</u>	<u>Road and Bridge Fund</u>
2008	(\$21,046)	\$8,416	\$12,630
2009	(32,288)	12,197	20,091
2010	(7,376)	3,824	3,552
2011	(6,982)	3,491	3,491

**FINDING NUMBER 2011-01
 (Continued)**

Due to lack of documentation to support these payments, a Finding for Adjustment was issued during the prior audit. The Township did not make these adjustments to the accompanying financial statements and accounting records. In 2011, the Township repaid \$5,000 as a partial repayment from the General Fund to the Road and Bridge Fund.

The following table reflects the combined fund balance adjustment for all the adjustments above by fiscal year:

	<u>General Fund</u>	<u>Gasoline Tax Fund</u>	<u>Road and Bridge Fund</u>
2008	(\$21,046)	\$8,416	\$12,630
2009	(32,288)	12,197	20,091
2010	(7,376)	3,824	3,552
2011	(6,982)	3,491	3,491
Prior Year Finding for Adjustment – Repaid (2011)	5,000		(5,000)
2012	(19,220)	10,797	8,423
2013	(12,772)	7,574	5,198
Total	(\$94,684)	46,299	48,385

The following table illustrates the December 31, 2013 fund balances if the Township posted all the above fund balance adjustments to their accounting records and financial statements:

<u>Fund</u>	<u>Fund Balance in Accounting System</u>	<u>Fund Balance Adjustments</u>	<u>Final Fund Balances After Adjustments</u>
General	\$27,740	(\$94,684)	(\$66,944)
Gasoline Tax	81,035	46,299	127,334
Road & Bridge	20,403	48,385	68,788

In accordance with the foregoing facts, we hereby issue a finding for adjustment to decrease the General Fund for a combined total amount of \$94,684; increase the Gasoline Tax Fund for a combined total amount of \$46,299 and increase the Road and Bridge Fund for a combined total amount of \$48,385. The Township did not make adjustments to their accounting records or to the financial statements to reflect the above amounts.

We recommend that the Township charge the funds proportionately to the appropriate funds based on the documentation supporting the expenditures and certifications. If the Township cannot determine a properly supported allocation, the expenditure should be paid from the General Fund to ensure that money paid into a fund is used only for the purpose for which it was created. This will help the Township to ensure that restricted funds are only expended for activities that are allowable and will decrease the possibility of misappropriation of funds.

Officials' Response:

I have changed the method of trustee payment to meet the requirement as outlined in AOS Bulletin 2013-002 and 2011-007.

FINDING NUMBER 2013-002

Material Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township of Monroe is the level at which the Board of Trustees adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2013 at the fund level as follows (final appropriations were submitted to the County Auditor in January 2014 so were excluded):

Fund Name	Appropriation Authority at 12/31/13 (appropriations submitted after year end were not included)	Total Expenditures	Variance
001 – General Fund	\$47,335	\$58,311	(\$10,976)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and resulted in deficit spending in the General Fund.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary. The fiscal officer should not modify the appropriations in the budgetary accounting system until the Trustees' have taken official action. Auditor of State Bulletin 1997-010 state the legislative body of a local government may not delegate its authority to establish appropriations. Thus, any appropriation modifications must be approved by the Trustees' before year end.

Officials' Response

The Trustees' approved an appropriation modification after year end which was not accepted as part of the audit. If the appropriation revision was accepted, expenditures would have been \$13,173 less than appropriations.

**MONROE TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 and 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-01	Finding for adjustment of the General Fund; Ohio Rev. Code § 505.24 (C) allocation of Trustees' compensation	No	Not Corrected: Reissued as Finding Number 2013-001



Dave Yost • Auditor of State

MONROE TOWNSHIP

PREBLE 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 31, 2014**