



Dave Yost • Auditor of State



**MONROE TOWNSHIP  
DARKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Monroe Township  
Darke County  
2223 Red River West Grove Road  
Laura, Ohio 45337

To the Board of Trustees:

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

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

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

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

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

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monroe Township, Darke 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

July 29, 2014

**MONROE TOWNSHIP  
DARKE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$19,876	\$51,820	\$71,696
Licenses, Permits and Fees		8,585	8,585
Intergovernmental	148,627	103,209	251,836
Earnings on Investments	3,646	55	3,701
Miscellaneous	1,170	4,000	5,170
Total Cash Receipts	<u>173,319</u>	<u>167,669</u>	<u>340,988</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	84,987	847	85,834
Public Safety		17,445	17,445
Public Works		64,536	64,536
Health	8,476	12,590	21,066
Capital Outlay	450	17,550	18,000
Total Cash Disbursements	<u>93,913</u>	<u>112,968</u>	<u>206,881</u>
Excess of Receipts Over (Under) Disbursements	<u>79,406</u>	<u>54,701</u>	<u>134,107</u>
<b>Other Financing Receipts (Disbursements):</b>			
Transfers In		3,121	3,121
Transfers Out	(3,610)		(3,610)
Total Other Financing Receipts (Disbursements)	<u>(3,610)</u>	<u>3,121</u>	<u>(489)</u>
Net Change in Fund Cash Balances	75,796	57,822	133,618
Fund Cash Balances, January 1	<u>185,144</u>	<u>191,327</u>	<u>376,471</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		249,149	249,149
Unassigned (Deficit)	260,940		260,940
Fund Cash Balances, December 31	<u>\$260,940</u>	<u>\$249,149</u>	<u>\$510,089</u>

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

**MONROE TOWNSHIP  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Private Purpose Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$16
Total Operating Cash Receipts	<u>16</u>
<b>Operating Cash Disbursements:</b>	
Supplies and Materials	30
Total Operating Cash Disbursements	<u>30</u>
Operating Income (Loss)	<u>(14)</u>
Transfers In	<u>489</u>
Net Change in Fund Cash Balance	475
Fund Cash Balance, January 1	<u>1,561</u>
Fund Cash Balance, December 31	<u><u>\$2,036</u></u>

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

**MONROE TOWNSHIP  
DARKE COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$21,302	\$55,359	\$76,661
Licenses, Permits and Fees		8,799	8,799
Intergovernmental	14,928	98,625	113,553
Earnings on Investments	78	23	101
Miscellaneous	986	3,300	4,286
Total Cash Receipts	<u>37,294</u>	<u>166,106</u>	<u>203,400</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	147,683	705	148,388
Public Safety		20,286	20,286
Public Works		54,224	54,224
Health	8,234	14,959	23,193
Total Cash Disbursements	<u>155,917</u>	<u>90,174</u>	<u>246,091</u>
Excess of Receipts Over (Under) Disbursements	<u>(118,623)</u>	<u>75,932</u>	<u>(42,691)</u>
<b>Other Financing Receipts (Disbursements):</b>			
Transfers In		3,000	3,000
Transfers Out	(3,000)		(3,000)
Total Other Financing Receipts (Disbursements)	<u>(3,000)</u>	<u>3,000</u>	<u></u>
Net Change in Fund Cash Balances	(121,623)	78,932	(42,691)
Fund Cash Balances, January 1	<u>306,767</u>	<u>112,395</u>	<u>419,162</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		191,327	191,327
Unassigned (Deficit)	185,144		185,144
Fund Cash Balances, December 31	<u>\$185,144</u>	<u>\$191,327</u>	<u>\$376,471</u>

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

**MONROE TOWNSHIP  
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGE IN FUND BALANCE (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Private Purpose Trust</u>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$65
Total Operating Cash Receipts	<u>65</u>
<b>Operating Cash Disbursements:</b>	
Supplies and Materials	30
Total Operating Cash Disbursements	<u>30</u>
Operating Income (Loss)	<u>35</u>
Fund Cash Balance, January 1	<u>1,526</u>
Fund Cash Balance, December 31	<u><u>\$1,561</u></u>

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

**MONROE TOWNSHIP  
DARKE 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 Monroe Township, Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and zoning services. The Township contracts with the Village of Pittsburg to provide fire services.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA).

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**

All Township funds are held in demand deposits and certificates of deposit.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is 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:

**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.

**MONROE TOWNSHIP  
DARKE COUNTY**

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

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

**Fire District Fund** – This fund receives property tax money to pay the fire protection services contract.

**3. Fiduciary Fund**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust fund is for the benefit of H. Stouffer and Laura Jane Troutwine.

**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. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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.

**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  
DARKE 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.

**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.

**2. EQUITY IN POOLED DEPOSITS**

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

	<u>2013</u>	<u>2012</u>
Demand deposits	\$336,870	\$206,320
Certificates of deposit	175,255	171,712
Total deposits	<u>\$512,125</u>	<u>\$378,032</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**MONROE TOWNSHIP  
DARKE COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2013 and 2012 follows:

<b>2013 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$165,944	\$173,319	\$7,375
Special Revenue	164,632	170,790	6,158
Private Purpose Trust	30	505	475
Total	<u>\$330,606</u>	<u>\$344,614</u>	<u>\$14,008</u>

<b>2013 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$307,890	\$97,523	\$210,367
Special Revenue	275,963	112,968	162,995
Private Purpose Trust	1,591	30	1,561
Total	<u>\$585,444</u>	<u>\$210,521</u>	<u>\$374,923</u>

<b>2012 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$45,150	\$37,294	(\$7,856)
Special Revenue	174,424	169,106	(5,318)
Private Purpose Trust	65	65	
Total	<u>\$219,639</u>	<u>\$206,465</u>	<u>(\$13,174)</u>

<b>2012 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$390,925	\$158,917	\$232,008
Special Revenue	247,811	90,174	157,637
Private Purpose Trust	1,591	30	1,561
Total	<u>\$640,327</u>	<u>\$249,121</u>	<u>\$391,206</u>

**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.

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

**MONROE TOWNSHIP  
DARKE COUNTY**

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

**5. RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the 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 FI % 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:

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

**MONROE TOWNSHIP  
DARKE COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

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 \$3,000.

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

<b>Contributions to OTARMA</b>	
<b>2013</b>	<b>2012</b>
<u>\$5,539</u>	<u>\$4,478</u>

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. RELATED PARTY TRANSACTION**

A Township employee was the owner of land acquired by the Township for future cemetery use during 2012. The Township paid \$67,550 for this acquisition. The Township then entered into a contractual agreement with the Township employee to farm the now-owned Township land.

**8. COMPLIANCE**

The Township did not comply with Ohio Rev. Code Section 505.24(C) related to the pay of officials' salaries from non-general funds.



# 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  
Darke County  
2223 Red River West Grove Road  
Laura, Ohio 45337

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Monroe Township, Darke County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 29, 2014 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 opinions 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 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.

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 29, 2014

**MONROE TOWNSHIP  
DARKE COUNTY**

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

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

**FINDING NUMBER 2013-001**

**Noncompliance Citation and Material Weakness**

**Ohio Rev. Code § 505.24(C)** states that by unanimous vote, 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 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.

Additionally, **Auditor of State Bulletin 2011-007** states that each township trustee and township fiscal officer that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. If 100% of the compensation of the township trustee/fiscal officer is to be paid from the general fund, no certification is required.

The Trustees were compensated 100% from the General Fund in January and February 2012 and 2013; however, from March through December of 2012 and 2013, the Trustees were compensated 100% from the Gasoline Tax Fund. Additionally, approximately 83% of the Trustees' health insurance reimbursements were paid from the Gasoline Tax Fund in 2012 and 2013. The Trustees did not complete payroll certifications to account for salaries or health insurance reimbursements paid from funds other than the General Fund for 2012 or 2013. For 2012, \$39,008 in officials' salary and health insurance reimbursements were paid from the Gasoline Tax Fund. For 2013, \$40,988 in officials' salary and health insurance reimbursements were paid from the Gasoline Tax Fund. Without proper documentation indicating otherwise, these salary and health insurance reimbursements should have been paid from the General Fund. The Township's financial statements and accounting system have been adjusted to correct these errors.

The Township should implement procedures to ensure that each Trustee prepares the necessary certification prior to receiving pay for the applicable pay period or a reimbursement of health insurance premiums for the year. Failure to do so may result in possible fund balance/financial statement adjustments and material citations in the future.

**Officials' Response:**

We did not receive a response from Township Officials to this finding.

## FINDING NUMBER 2013-002

### Noncompliance Citation

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** - The Township may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly encumber six of twenty two (27%) expenditures tested for 2012 and 2013 and the aforementioned exceptions were not utilized. The failure to properly certify the availability of funds can result in overspending and negative cash fund balances. Additionally, the Township did not have a formal policy in place for blanket purchase orders.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**FINDING NUMBER 2013-002  
(Continued)**

The Township should implement procedures to provide that all purchases that require prior certification are properly encumbered or meet one of the exceptions noted above. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time a commitment is incurred and only when the requirements of 5705.41(D) are satisfied. When prior certification is not possible, "then and now" certification may be used, if appropriate. The Township should also adopt a formal blanket purchase order policy that outlines a maximum amount for blanket purchase orders.

**Officials' Response:**

We did not receive a response from Township Officials to this finding.

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# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**DARKE 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 19, 2014**