



Dave Yost • Auditor of State

**MONROE TOWNSHIP
HARRISON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Monroe Township
Harrison County
P.O. Box 249
Bowerston, Ohio 44695-0249

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Monroe Township, Harrison County, Ohio (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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Additional Opinion Qualification* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Basis for Additional Opinion Qualification

Ohio Rev. Code § 505.24(C) and Ohio Attorney General Opinion 2004-036 require trustees to document the proportionate amount of salaries chargeable to other Township funds based on the kinds of services rendered. Without this documentation, the Township must charge salaries to the General Fund. During 2009 and 2008, the Township charged Trustees' salaries as well as related taxes and OPERS to the Road and Bridge and Gasoline Tax Funds totaling \$18,785 and \$9,802, respectively, without the required supporting documentation. Findings for adjustment issued in a prior audit for noncompliance with these requirements have not been posted by the Township.

Had the Township agreed to these adjustments, the effect would have resulted in deficit General Fund cash balances at December 31, 2013 and 2012 totaling \$30,707 and \$17,921, respectively. The effects would have resulted in Special Revenue Fund cash balances at December 31, 2013 and 2012 totaling \$92,720 and \$117,812.

Additional Opinion Qualification

In our opinion, because of the effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Monroe Township, Harrison County, Ohio, 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 § 117.38 and Ohio Administrative Code § 117-2-03 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 February 23, 2015, 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 "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

February 23, 2015

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**MONROE TOWNSHIP
HARRISON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,205	\$76,922		\$93,127
Intergovernmental	10,098	97,845		107,943
Earnings on Investments	25		\$11	36
Miscellaneous	3,561	5,325		8,886
<i>Total Cash Receipts</i>	<u>29,889</u>	<u>180,092</u>	<u>11</u>	<u>209,992</u>
Cash Disbursements				
Current:				
General Government	32,291	10,689		42,980
Public Safety		33,336		33,336
Public Works	10,177	143,566		153,743
Health		2,420		2,420
Capital Outlay	207	8,059		8,266
Debt Service:				
Principal Retirement		6,175		6,175
Interest and Fiscal Charges		939		939
<i>Total Cash Disbursements</i>	<u>42,675</u>	<u>205,184</u>	<u>11</u>	<u>247,859</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(12,786)</u>	<u>(25,092)</u>	<u>11</u>	<u>(37,867)</u>
<i>Fund Cash Balances, January 1</i>	<u>10,666</u>	<u>89,225</u>	<u>7,365</u>	<u>107,256</u>
Fund Cash Balances, December 31				
Nonspendable			6,900	6,900
Restricted		64,133	476	64,609
Assigned	845			845
Unassigned (Deficit)	(2,965)			(2,965)
<i>Fund Cash Balances, December 31</i>	<u>(\$2,120)</u>	<u>\$64,133</u>	<u>\$7,376</u>	<u>\$69,389</u>

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

**MONROE TOWNSHIP
HARRISON COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$16,303	\$80,301		\$96,604
Intergovernmental	25,748	89,071		114,819
Earnings on Investments	42	25	\$23	90
Miscellaneous	53,912	3,670		57,582
<i>Total Cash Receipts</i>	<u>96,005</u>	<u>173,067</u>	<u>23</u>	<u>269,095</u>
Cash Disbursements				
Current:				
General Government	36,499	12,602		49,101
Public Safety		35,032		35,032
Public Works		116,450		116,450
Health		6,828		6,828
Capital Outlay	59,047	46,970		106,017
Debt Service:				
Principal Retirement		18,912		18,912
Interest and Fiscal Charges		3,385		3,385
<i>Total Cash Disbursements</i>	<u>95,546</u>	<u>240,179</u>		<u>335,725</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>459</u>	<u>(67,112)</u>	<u>23</u>	<u>(66,630)</u>
Other Financing Receipts				
Other Debt Proceeds		38,884		38,884
<i>Total Other Financing Receipts</i>		<u>38,884</u>		<u>38,884</u>
<i>Net Change in Fund Cash Balances</i>	459	(28,228)	23	(27,746)
<i>Fund Cash Balances, January 1</i>	<u>10,207</u>	<u>117,453</u>	<u>7,342</u>	<u>135,002</u>
Fund Cash Balances, December 31				
Nonspendable			6,900	6,900
Restricted		89,225	465	89,690
Unassigned (Deficit)	10,666			10,666
<i>Fund Cash Balances, December 31</i>	<u>\$10,666</u>	<u>\$89,225</u>	<u>\$7,365</u>	<u>\$107,256</u>

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

**MONROE TOWNSHIP
HARRISON 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, Harrison County (the Township), as a body corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and general government services. The Township contracts with Bowerston Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio Townships for insurance coverage. Note 7 to the financial statements provides additional information for this risk pool membership.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. 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:

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 for constructing, maintaining, and repairing Township roads.

**MONROE TOWNSHIP
HARRISON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Permanent Fund

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting Township's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

Cemetery Bequest Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

D. 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. 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 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 reappropriated.

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

E. 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. Nonspendable

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

**MONROE TOWNSHIP
HARRISON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. 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.

F. 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:

**MONROE TOWNSHIP
HARRISON COUNTY**

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

2. Equity in Pooled Deposits (Continued)

	2013	2012
Demand deposits	\$62,107	\$99,985
Certificates of deposit	7,282	7,271
Total deposits	\$69,389	\$107,256

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

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	\$30,500	\$29,889	(\$611)
Special Revenue	169,491	180,092	10,601
Permanent		11	11
Total	\$199,991	\$209,992	\$10,001

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,028	\$43,520	(\$7,492)
Special Revenue	253,424	206,500	46,924
Permanent	8,266		8,266
Total	\$297,718	\$250,020	\$47,698

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,159	\$96,005	\$846
Special Revenue	162,826	211,951	49,125
Permanent		23	23
Total	\$257,985	\$307,979	\$49,994

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,212	\$95,546	(\$55,334)
Special Revenue	275,774	240,179	35,595
Permanent	8,266		8,266
Total	\$324,252	\$335,725	(\$11,473)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Cemetery Levy funds by \$7,492 and \$1,903, respectively, for the year ended December 31, 2013. Also, budgetary expenditures exceeded appropriation authority in the General and Gasoline Tax funds by \$55,334 and \$12,815, respectively, for the year ended December 31, 2012.

**MONROE TOWNSHIP
HARRISON COUNTY**

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

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.

5. Debt

Debt outstanding at December 31, 2013, was as follows:

	Principal	Interest Rate
Promissory Note	\$27,233	3.130%

The Township issued a promissory note in May of 2012 in the amount of \$38,884 to finance the purchase of a 2012 Ford F550 truck. The truck collateralized the note.

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

Year ending December 31:	Promissory Note
2014	\$8,421
2015	8,421
2016	8,421
2017	3,509
Total	\$28,772

6. Retirement System

The Township's elected officials and 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 includes 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% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

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.

**MONROE TOWNSHIP
HARRISON COUNTY**

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

7. Risk Management (Continued)

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.

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.

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	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 \$2,000.

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.

**MONROE TOWNSHIP
HARRISON COUNTY**

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

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$2,853	\$2,846

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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Dave Yost • Auditor of State

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

Monroe Township
Harrison County
P.O. Box 249
Bowerston, Ohio 44695-0249

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, Harrison County, Ohio (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 February 23, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit. We also noted that findings for adjustment issued in a prior audit for violations of Ohio Rev. Code § 505.24(C) were not recorded by the Township, resulting in an adverse audit opinion.

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2013-002 through 2013-004 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2013-001 described in the accompanying Schedule of Findings to be a significant deficiency.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

www.ohioauditor.gov

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 2013-004 through 2013-006.

Township's Response to Findings

The Township's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

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

February 23, 2015

**MONROE TOWNSHIP
HARRISON 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

Cash Reconciliation – Significant Deficiency

As a result of audit procedures performed, errors were noted in the Township's cash reconciliations at December 31, 2013 and 2012 and in the Township ledgers throughout the audit period. At December 31, 2012, the Township reconciliation showed an "other adjusting factor" of \$443, with no further description.

Further review of the Township prepared reconciliation and Township records revealed the following discrepancies in 2012:

- Checks included on the outstanding check list totaling \$1,136 were not actually outstanding.
- An outstanding EFT of \$564 was omitted from reconciling items.
- A \$400 receipt was deposited, but not posted to the ledgers.
- A \$271 disbursement was not recorded on the ledgers.
- A prior audit agreed-upon adjustment was not posted to the Township ledgers.

Once the items listed above for 2012 were taken into account, the reconciliation at December 31, 2013 showed a variance. This variance was found to be attributable to the following:

- Interest earned on the checking account of \$12 was not posted to the ledgers.
- Three disbursements, totaling \$3,344, were not recorded by the Township. Two of these transactions were payroll check numbers 17160 and 17161 for \$367 and \$923, respectively.
- Cemetery bequest interest, totaling \$11, was not recorded.
- Various recording errors were made, totaling \$70.
- Pre-printed check numbers did not always agree with the ledgers.

In addition to the reconciling items noted above, several of the Township's checks for federal tax payments remained outstanding at December 31, 2013. Check numbers 17237, 17238, 17239, 17240, and 17404 were written in June and October of 2013, totaling \$3,815. Federal withholdings not properly paid could result in penalties and fees by the Internal Revenue Service.

Reconciling cash is a critical control in assuring all transactions are posted accurately and timely, and in the proper accounting period. Unidentified differences result in inaccurate fund cash balance information, and could conceivably cause deficit spending. In addition to reconciliation errors, not properly recording payroll transactions can result in improper reporting of wages on the employee's W-2 form, understatement of expenditures on the Townships financial statements, and an increased suspicion of fraud.

The adjustments to reconcile the Township's books to the bank were agreed to by the Township's management and are reflected within the accompanying financial statements and posted to the accounting records.

We recommend the Fiscal Officer prepare complete and accurate monthly bank reconciliations. Sufficient explanations and/or supporting documentation should be provided and retained for all reconciling items, such as outstanding checks, deposits-in-transit, and "other adjusting factors" that may appear on the reconciliation. The Township should implement procedures to ensure that all payroll transactions are properly recorded. The Township should make the necessary corrections to all payroll related items affected by the unrecorded payroll amounts.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-001 (Continued)

Cash Reconciliation – Significant Deficiency (Continued)

The Township should void and re-issue federal tax remittance checks. This will ensure that the federal withholdings are properly remitted, and avoid the possibility of penalties and fees being assessed by the Internal Revenue Service. Lastly, after monthly reconciliations are performed, the reconciliations should be presented to the Board of Trustees monthly meetings and be formally approved. These procedures will help support a more appropriate control environment that will help deter, prevent and detect potential financial statement errors or potential fraudulent activity.

Official's Response: After taking over the appointment as Fiscal Officer on December 1, 2014, I had noticed the late filings of taxes and reports, purchase orders not being done on a timely manner, bank activity not completed, and the Trustees salaries not being recorded properly as well as the OPERS and Medicare for the Trustees. I have begun correcting these issues for 2015.

Finding Number 2013-002

Financial Reporting – Material Weakness

The Fiscal Officer did not correctly code and classify the following receipts and expenditures in 2012 and 2013 which resulted in adjustments and reclassifications to the financial statements as follows:

Fund Name	Account Type	Amount	Description
2012 Adjustments:			
General	General Government Expenditures	\$1,528	To reallocate a portion of Trustees' salaries that had been posted to the Motor Vehicle License, Gasoline Tax, and Road and Bridge Funds.
Cemetery Bequest	Earnings on Investments	24	To record cd interest.
Motor Vehicle License Tax	Public Works Expenditures	(509)	To reallocate a portion of Trustee salary to General Fund.
Motor Vehicle License Tax	Intergovernmental Revenue	334	To adjust for a receipt improperly posted to the General Fund as Local Taxes Revenue.
Gasoline Tax	Public Works Expenditure	\$271 (510)	To adjust for an unrecorded disbursement. To reallocate a portion of Trustee salary to General Fund.
Cemetery Levy	Miscellaneous Receipts	400	To adjust for an unrecorded receipt.
Road & Bridge	Public Works Expenditure	(509)	To reallocate a portion of Trustee salary to General Fund.
Cemetery Bequest	Cash Fund Balance, January 1	(923)	To adjust for prior audit adjustment that was not posted by Township.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002 (Continued)

Financial Reporting – Material Weakness (Continued)

Fund Name	Account Type	Amount	Description
2012 Adjustments (Continued)			
Gasoline Tax	Other Debt Proceeds	38,884	To post debt proceeds that was not posted by the Township.
Gasoline Tax	Capital Outlay Interest and Fiscal Charges	38,499 385	To post truck purchase and loan charges not posted by the Township.
2012 Reclassification:			
Cemetery Bequest	Nonspendable Fund Balance	6,900	To reclassify the principal balance of the Cemetery Bequest fund in accordance with GASB 54 fund balance classifications.

Fund Name	Account Type	Amount	Description
2013 Adjustments:			
General	General Government Expenditures	\$511	To reallocate a portion of Trustee salary to General Fund and to correct a check posting error.
General	Earnings on Investments	25	To adjust for checking account interest not posted.
Motor Vehicle License Tax	Public Works Expenditures	(509)	To reallocate a portion of Trustee salary to General Fund.
Motor Vehicle License Tax	Intergovernmental	(9)	To adjust for a transposition error in a receipt posting.
Motor Vehicle License Tax	Intergovernmental	370	To adjust for receipt posted in error to the General Fund as Property and Other Local Taxes.
Gasoline Tax	Public Works Expenditures	3,344	To adjust for unrecorded expenditures.
Cemetery Levy	General Governments Expenditures	\$72	To adjust for check posting errors.
Cemetery Levy	Property and Other Local Taxes	404	To adjust for taxes that had been posted to the General Fund.
Road & Bridge	Property and Other Local Taxes	1,696	To adjust for taxes that had been posted to the General Fund.
Road & Bridge	Intergovernmental	124	To adjust for Intergovernmental Revenue posted as General Fund Taxes.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-002 (Continued)

Financial Reporting – Material Weakness (Continued)

Fund Name	Account Type	Amount	Description
2013 Adjustments (Continued):			
Fire	Property and Other Local Taxes	1,617	To adjust for taxes that had been posted to the General Fund.
Fire	Intergovernmental	114	To adjust for receipt posted as General Fund Taxes.
Cemetery Bequest	Earnings on Investments	11	To adjust for C.D. interest on cemetery bequest.
2013 Reclassifications:			
Gasoline Tax	Principal Retirement Interest and Fiscal Charges	\$4,069 940	To reclassify the principal and interest payments that were misposted to capital outlay and public works.
General	Assigned Fund Balance Unassigned Fund Balance	\$845 (2,965)	To reclassify reserve for encumbrances (\$845) from committed to assigned fund balance, and also remaining General Fund balance from committed to unassigned in accordance with GASB 54.
Motor Vehicle License Tax Gasoline Tax Road & Bridge	Restricted Fund Balance	3,749 19,724 16,667	To reclassify these special revenue fund balances to restricted from committed in accordance with GASB 54.
Cemetery Levy	Restricted Fund Balance	3,887	To reclassify Cemetery Levy fund balance from assigned to restricted in accordance with GASB 54.
Cemetery Bequest	Restricted Fund Balance	476	To reclassify the spendable portion of the Cemetery Bequest Fund as Restricted in accordance with GASB 54.
Road Bond	Restricted Fund Balance	673	To reclassify the balance of the Cash Road Bond Fund in accordance with GASB 54.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The financial statements and accounting records have been adjusted accordingly.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the financial statement and notes by the Fiscal Officer and Board of Trustees, to help identify and correct errors and omissions.

Official's Response: See Finding Number 2013-001 for response.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-003

Posting of Approved Budgetary Measures – Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Fiscal Officer did not accurately post the amounts of appropriations as approved by the Board of Trustees and estimated receipts per the Amended Certificate of Estimated Resources to the ledgers. As a result, the estimated amounts in the Township ledgers were not an accurate reflection of the Board's actions. In addition, the budget vs. actual information generated by the system is not a useful budgeting tool.

Variances existed between the legislatively approved appropriation resolution, as noted in the minute record, and the amounts posted to the accounting system. The following table details these variances:

Fund	Authorized Appropriations	Posted Appropriations	Variance
2012			
General	\$39,955	\$109,614	(\$69,659)
Cemetery Bequest	8,266	0	8,266
Road Bond	673	0	673

Fund	Authorized Appropriations	Posted Appropriations	Variance
2013			
General	\$36,028	\$45,039	(\$9,011)
Motor Vehicle License Tax	29,240	19,690	9,550
Gasoline Tax	92,464	95,964	(3,500)
Road & Bridge	85,831	83,631	2,200
Cemetery Levy	11,019	15,519	(4,500)

Variances existed between the County Budget Commission approved budgeted receipts, and any amendments made to them and the amounts posted to the Township's accounting system. The following table details these variances:

Fund	Estimated Receipts per Final Certificate	Posted Estimated Receipts	Variance
2013			
General	\$30,500	\$38,500	\$8,000
Gasoline Tax	69,781	73,281	3,500
Cemetery Levy	11,850	13,150	1,300

Note 3 to the financial statements was amended to accurately reflect the budgetary activity.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

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

Finding Number 2013-003 (Continued)

Posting of Approved Budgetary Measures – Material Weakness (Continued)

Failure to accurately post the appropriations and estimated receipts could result in overspending and negative cash balances. To effectively control the budgetary cycle and to maintain accountability over Township expenditures, the Fiscal Officer should post to the ledgers, on a timely basis, budgetary amounts as authorized by the Board of Trustees. The Board of Trustees should also monitor budget versus actual reports to ensure supplemental and amended appropriations and estimated receipts have been properly posted.

Official's Response: See Finding Number 2013-001 for response.

Finding Number 2013-004

Finding for Adjustment and Material Weakness

Ohio Rev. Code § 505.24(C) states, in part, 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 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.

Auditor of State Bulletin 2013-002 provides guidance on the requirements of Ohio Rev. Code § 505.24(C) and indicates that attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

During a prior audit period, specifically the 2008-2009 audit, the Township charged Trustees' salaries and benefits to funds other than the general fund and did not maintain documentation to justify this allocation of salaries. The unsupported salaries from 2008 and 2009 charged to the Road and Bridge and Gasoline Tax Funds are \$18,785 and \$9,802, respectively. These amounts are against the General Fund. As a result, a citation was included in the 2008-2009 audit, and the adjustment was carried forward in the 2010-2011 audit. This is noted in the Schedule of Prior Audit Findings as Finding Number 2009-001.

The Township has failed to post adjustments to the Township records based on the citation in the 2008-2009 audit. Therefore, the amounts cited in the previous findings for adjustment are being carried forward to the current audit period.

In accordance with the foregoing facts, we hereby issue a Finding for Adjustment against the General Fund for \$28,587 and in favor of the Road and Bridge Fund and Gasoline Tax Fund in the amounts of \$18,785 and \$9,802, respectively.

Official's Response: See Finding Number 2013-001 for response.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number 2013-005

Noncompliance

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2012, the Township signed a promissory note in the amount of \$38,884 with the Citizens Savings Bank to purchase a truck. This type of debt did not meet the requirements set forth in Ohio Rev. Code Chapter 133.

The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods debt for Townships.

We recommend the Township consult with legal counsel when Trustees anticipate incurring future debt to help ensure it is an allowable type of debt.

Official's Response: See Finding Number 2013-001 for response.

Finding Number 2013-006

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

Expenditures exceeded appropriations as follows:

Fund	Final Appropriations	Expenditures	Variance
At December 31, 2012			
General	\$40,212	\$95,546	(\$55,334)
Gasoline Tax	127,188	140,003	(12,815)
At December 31, 2013			
General	36,028	43,520	(7,492)
Cemetery Levy	11,019	12,922	(1,903)

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 and 2012
(Continued)**

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

Finding Number 2013-006 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)

The failure to limit expenditures plus encumbrances to the amount appropriated by the Board of Trustees in each fund could result in overspending and negative cash balances.

We recommend the Township monitor expenditures throughout the year and make the necessary amendments to appropriations to ensure all expenditures made are within total fund appropriations and deny any payment exceeding the appropriations. The Fiscal Officer may request the Board of Trustees approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Official's Response: See Finding Number 2013-001 for response.

**MONROE TOWNSHIP
HARRISON 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; Explain
2009-001	Ohio Rev. Code §505.24(C) regarding not properly documenting charges to funds other than the General Fund.	No	Not Corrected; Repeated as Finding No. 2013-004.
2011-01	Ohio Rev. Code § 5705.41(D)(1) – not always obtaining certification of availability of funds prior to incurring an obligation.	No	Finding no longer valid; Reported in the management letter.
2011-02	Not always posting receipts and disbursements to accurate classification codes.	No	Not Corrected: Repeated as Finding No. 2013-002.

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Dave Yost • Auditor of State

MONROE TOWNSHIP

HARRISON 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
MARCH 12, 2015**