

**MONROE TOWNSHIP
HARRISON COUNTY**

AUDIT REPORT

JANUARY 1, 2014 - DECEMBER 31, 2015



Dave Yost • Auditor of State

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

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

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

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

Dave Yost
Auditor of State

September 26, 2016

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**MONROE TOWNSHIP
HARRISON COUNTY
JANUARY 1, 2014 - DECEMBER 31, 2015**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-3
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5-11
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	12
Schedule of Audit Findings	14
Schedule of Prior Audit Findings	18

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

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

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions 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, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Monroe Township, Harrison County as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

Ohio Revised Code Section 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, 2015 and 2014 totaling \$1,374 and \$3,427, respectively. The effects would have resulted in Special Revenue Fund cash balances at December 31, 2015 and 2014 totaling \$135,765 and \$80,055.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Monroe Township, Harrison County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 14, 2016, on our consideration of Monroe 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
July 14, 2016

**MONROE TOWNSHIP
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 16,317	\$ 63,853	\$ -	\$ 80,170
Licenses, Permits and Fees	-	10,000	-	10,000
Intergovernmental	16,156	107,986	-	124,142
Earnings on Investments	9	6	9	24
Miscellaneous	15,501	20,408	-	35,909
Total Cash Receipts	<u>47,983</u>	<u>202,253</u>	<u>9</u>	<u>250,245</u>
Cash Disbursements:				
Current:				
General Government	32,305	1,601	-	33,906
Public Safety	-	31,863	-	31,863
Public Works	-	94,838	-	94,838
Health	13,625	3,185	-	16,810
Debt Service:				
Principal Retirement	-	14,182	-	14,182
Interest and Fiscal Charges	-	874	-	874
Total Cash Disbursements	<u>45,930</u>	<u>146,543</u>	<u>-</u>	<u>192,473</u>
Net Change in Fund Cash Balance	2,053	55,710	9	57,772
Fund Cash Balances, January 1	<u>25,160</u>	<u>51,468</u>	<u>7,386</u>	<u>84,014</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	6,900	6,900
Restricted	-	107,178	495	107,673
Unassigned (Deficit)	27,213	-	-	27,213
Fund Cash Balances, December 31	<u>\$ 27,213</u>	<u>\$ 107,178</u>	<u>\$ 7,395</u>	<u>\$ 141,786</u>

See notes to financial statements.

**MONROE TOWNSHIP
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 15,929	\$ 73,311	\$ -	\$ 89,240
Intergovernmental	39,648	100,808	-	140,456
Earnings on Investments	4	2	10	16
Miscellaneous	6,722	8,722	-	15,444
Total Cash Receipts	<u>62,303</u>	<u>182,843</u>	<u>10</u>	<u>245,156</u>
Cash Disbursements:				
Current:				
General Government	34,802	14,398	-	49,200
Public Safety	-	35,328	-	35,328
Public Works	221	116,656	-	116,877
Health	-	3,901	-	3,901
Capital Outlay	-	28,916	-	28,916
Debt Service:				
Principal Retirement	-	13,961	-	13,961
Interest an Fiscal Charges	-	870	-	870
Total Cash Disbursements	<u>35,023</u>	<u>214,030</u>	<u>-</u>	<u>249,053</u>
Excess of Receipts Over (Under) Disbursements	27,280	(31,187)	10	(3,897)
Other Financing Receipts (Disbursements)				
Loan Proceeds	-	18,984	-	18,984
Other Financing Uses	-	(462)	-	(462)
Total Other Financing Receipts (Disbursements)	-	18,522	-	18,522
Net Change in Fund Cash Balance	27,280	(12,665)	10	14,625
Fund Cash Balances, January 1	<u>(2,120)</u>	<u>64,133</u>	<u>7,376</u>	<u>69,389</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	6,900	6,900
Restricted	-	51,468	486	51,954
Unassigned (Deficit)	25,160	-	-	25,160
Fund Cash Balances, December 31	<u>\$ 25,160</u>	<u>\$ 51,468</u>	<u>\$ 7,386</u>	<u>\$ 84,014</u>

See notes to financial statements.

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Bowerston Volunteer Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 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 Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

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.

Certificates of Deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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:

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

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

Permanent Funds

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 nonspendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

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.

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 2015 and 2014 budgetary activity appears in Note 3.

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Nonspendable

The Township classifies assets as *nonspendable* 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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

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

5. Unassigned

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

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G Property, Plant and Equipment

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 CASH AND INVESTMENTS

The Township maintains a deposit and investment 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:

	2015	2014
Demand Deposits	\$ 134,485	\$ 76,722
Certificate of Deposit	7,301	7,292
	\$ 141,786	\$ 84,014

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 39,597	\$ 47,983	\$ 8,386
Special Revenue	169,650	202,253	32,603
Permanent	-	9	9
Total	\$ 209,247	\$ 250,245	\$ 40,998

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 64,757	\$ 45,930	\$ 18,827
Special Revenue	218,919	146,543	72,376
Total	\$ 283,676	\$ 192,473	\$ 91,203

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 59,610	\$ 62,303	\$ 2,693
Special Revenue	177,010	201,827	24,817
Permanent	-	10	10
Total	\$ 236,620	\$ 264,140	\$ 27,520

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 61,356	\$ 35,023	\$ 26,333
Special Revenue	233,551	214,492	19,059
Total	\$ 294,907	\$ 249,515	\$ 45,392

Contrary to Ohio Revised Code Section 5705.41 (D), the Township had made expenditures prior to certification.

4. PROPERTY TAX

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

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

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2015.

6. DEBT

Debt outstanding at December 31, 2015, was as follows:

	Principal	Interest Rate
Promissory Note - Truck	\$ 11,631	3.13%
Promissory Note - Tractor	6,443	2.96%
Total	\$ 18,074	

The Township issued a promissory note in May 2012 in the amount of \$38,884 to finance the purchase of a 2012 Ford F550 Truck. The truck collateralized the note and is paid from the Gasoline Tax Fund.

The Township issued a promissory note in March 2014 in the amount of \$18,984 to finance the purchase of a Tractor with a loader. The tractor collateralized the note and is paid from the Gasoline Tax Fund.

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. DEBT (Continued)

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

<u>Year Ending December 31:</u>	<u>PN - Truck</u>	<u>PN-Tractor</u>
2016	\$ 8,421	\$ 6,635
2017	3,456	-
<u>Total</u>	<u>\$ 11,877</u>	<u>\$ 6,635</u>

7. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) 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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's 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, 2015 and 2014 (the latest information available):

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

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,500.

**MONROE TOWNSHIP
HARRISON COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT (Continued)

Based on discussion 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

2015	\$2,831
2014	2,804
2013	2,853

After completing 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.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Monroe Township, Harrison County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 14, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also issued an adverse opinion on the 2015 and 2014 financial statements due to the Township declining to make adjustments for mispostings.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Monroe 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 first 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 Findings 2015-001 and 2015-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001 through 2015-004.

Entity's Response to Finding

The Township's response to the finding 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
July 14, 2016

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number 2015-001

Noncompliance/Material Weakness – Financial Reporting

Ohio Admin. Code Section 117-2-02 (A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transaction, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code Section 117-2-03.

As a result of audit procedures, errors were noted that required reclassification to the financial statement as follows:

The following is related to 2014:

- Reclassification of \$1,261 from Gasoline Tax Fund Debt Service Principal to Public Works.
- Reclassification of \$2,216 from Gasoline Tax Fund Debt Service Interest to Public Works.
- Reclassification of \$6,600 from General Fund Property and Other Local Taxes to Intergovernmental Revenue.
- Reclassification of \$1,817 from Road & Bridge Fund Property and Other Local Taxes to Intergovernmental Revenue.
- Reclassification of \$2,175 from Fire Levy Fund Property and Other Local Taxes to Intergovernmental Revenue.
- Adjustment of \$18,984 to Note Proceeds and Capital Outlay in the Gasoline Tax Fund for not recording new loan.

The following is related to 2015

- Reclassification of \$2,200 from General Fund Property and Other Local Taxes to Intergovernmental Revenue.
- Reclassification of \$3,912 from Road & Bridge Fund Property and Other Local Taxes to Intergovernmental Revenue.
- Reclassification of \$3,966 from Fire Levy Fund Property and Other Local Taxes to Intergovernmental Revenue.

The township in July and August of 2014 made bank deposits but did not record them until September 2014. All transactions should be recorded when done, by waiting, the township may not recorded all transaction which them presents inaccurate reports for the Trustees to base decisions on.

Sound financial reporting is the responsibility of the Township and is essential to help ensure the information provided to the readers of financial statements is complete and accurate. 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 to identify and correct errors and omissions. .

Client Response: We have not received a response from the client.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number 2015-002

Noncompliance - Debt

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 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 2014, the Township signed a promissory note in the amount of \$18,984 with the Citizens Savings Bank to purchase a tractor. 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.

Client Response: We have not received a response from the client.

FINDING NUMBER 2015-003

Noncompliance/Material Weakness

Ohio Revised Code Section 505.24 set forth the method by which township trustees' compensation should be allocated.

Subsequent to House Bill 153, passed in 2011, Ohio Revised Code Section 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds. Prior to House Bill 153 compensation of a township trustee was to be paid from the Township General Fund or from such other township funds, in proportions based on the amount of time spent on matters related to the services rendered.

In 2014, payroll certifications were used but a few postings did not match with the certification. The MVL License Tax Fund and the Gasoline Tax Fund were overstated by \$2,123 and \$708, respectively, and the Road & Bridge Fund was understated by \$2,831 for payroll posting incorrectly made. This did not require a change to the financial statements but were adjusted in the clients accounting system to properly show fund balances.

Client Response: We have not received a response from the client.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number 2015-004

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- If the fiscal officer can certify that both at the time that 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 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the fiscal officer without a 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 the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. The Township may also make expenditures and contracts 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 reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

Finding Number 2015-004 (Continued)

The Township did not certify the availability of funds prior to the purchase commitment for 33% of expenditures tested. For these item the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Township certify purchases to which Section 5705.41(D) applies. 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 the Township incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We have not received a response from the client.

**MONROE TOWNSHIP
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Significant Deficiency Cash Reconciliations	Yes	Finding No Longer valid
2013-002	Material Weakness Financila Reporting	No	Not Corrected; Repeated as Finding 2015-001
2013-003	Material Weakness Posting of Budgetary measures	Yes	Finding No Longer valid
2013-004	Finding for Adjustment Material Weakness	No	Not Corrected; See prior Audit Report
2013-005	Noncompliance Ways to incurr debt	No	Not Corrected; Repeated as Finding 2015-002
2013-006	Noncompliance ORC 5705.41 (B) expenditures exceeded appropriations	Yes	Finding No Longer valid



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
OCTOBER 6, 2016**