



Dave Yost • Auditor of State

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Monroe Township
Coshocton County
29120 CR 49
Warsaw, Ohio 43844

To the Board of Trustees:

Report on the Financial Statements

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

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

During a prior audit covering 2007 and 2006, the Township paid Trustee wages totaling \$15,229 and \$14,407, respectively, from the Gasoline Tax Fund without supporting documentation as required by Ohio Rev. Code § 505.24(C) and 2004 Op. Att'y Gen. No. 2004-036. The Township has declined to make the full adjustment during prior audit periods. As of December 31, 2012, the Township's General Fund cash balance was reduced \$7,636 and the Gasoline Tax Fund increased by the same amount, leaving \$12,000 to be repaid.

Had the Township made the full adjustments, the effect would have resulted in an ending General Fund and Special Revenue Fund cash balances at December 31, 2012 totaling \$34,335 and \$68,612, respectively. As of December 31, 2013, the Township adjusted the remaining balance totaling \$12,000.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the Basis for Additional Opinion Qualification paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monroe Township, Coshocton County, Ohio, as of December 31, 2012, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Unmodified 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, Coshocton County, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9, the Township's cash fund balance at January 1, 2012 and January 1, 2013 was restated to account for the final two repayments of a Finding for Adjustment from the 2007-2006 audit between the General Fund and Gasoline Tax Fund totaling \$7,636 and \$12,000, respectfully. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

October 9, 2014

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**MONROE TOWNSHIP
COSHOCOTON 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$30,762	\$1,928	\$32,690
Intergovernmental	14,892	97,322	112,214
Earnings on Investments	145	72	217
Miscellaneous	1,415		1,415
<i>Total Cash Receipts</i>	<u>47,214</u>	<u>99,322</u>	<u>146,536</u>
Cash Disbursements			
Current:			
General Government	18,578	57,747	76,325
Public Works	4,620	43,802	48,422
Health	6,461		6,461
Debt Service:			
Principal Retirement	5,000	6,000	11,000
Interest and Fiscal Charges		616	616
<i>Total Cash Disbursements</i>	<u>34,659</u>	<u>108,165</u>	<u>142,824</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,555</u>	<u>(8,843)</u>	<u>3,712</u>
Other Financing Receipts			
Other Financing Sources	645		645
<i>Total Other Financing Receipts</i>	<u>645</u>	<u>0</u>	<u>645</u>
<i>Net Change in Fund Cash Balances</i>	<u>13,200</u>	<u>(8,843)</u>	<u>4,357</u>
<i>Fund Cash Balances, January 1, Restated - Note 9</i>	<u>73,353</u>	<u>62,765</u>	<u>136,118</u>
Fund Cash Balances, December 31			
Restricted		53,922	53,922
Assigned	86,553		86,553
<i>Fund Cash Balances, December 31</i>	<u><u>\$86,553</u></u>	<u><u>\$53,922</u></u>	<u><u>\$140,475</u></u>

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

**MONROE TOWNSHIP
COSHOCOTON 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$30,597	\$1,781	\$32,378
Charges for Services	11,681		11,681
Intergovernmental	65,061	96,979	162,040
Earnings on Investments	149	97	246
Miscellaneous	250		250
<i>Total Cash Receipts</i>	<u>107,738</u>	<u>98,857</u>	<u>206,595</u>
Cash Disbursements			
Current:			
General Government	22,379	58,721	81,100
Public Works	40,155	40,045	80,200
Health	6,186		6,186
Debt Service:			
Principal Retirement		5,000	5,000
Interest and Fiscal Charges		938	938
<i>Total Cash Disbursements</i>	<u>68,720</u>	<u>104,704</u>	<u>173,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>39,018</u>	<u>(5,847)</u>	<u>33,171</u>
<i>Fund Cash Balances, January 1, Restated - Note 9</i>	<u>46,335</u>	<u>56,612</u>	<u>102,947</u>
Fund Cash Balances, December 31			
Restricted		50,765	50,765
Assigned	85,353		85,353
<i>Fund Cash Balances, December 31</i>	<u><u>\$85,353</u></u>	<u><u>\$50,765</u></u>	<u><u>\$136,118</u></u>

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

**MONROE TOWNSHIP
COSHOCTON 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, Coshocton County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection.

The Township participates in a jointly governed organization and a public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA) risk pool.

Jointly Governed Organization:

Walhonding Valley Fire District (District)

The District is a body corporate and politic formed by the Village and several other political subdivisions under Ohio Revised Code § 505.371 to provide fire protection services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

All deposits are maintained in an interest bearing checking account.

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.

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

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:

Motor Vehicle and License Fund - This fund receives motor vehicle and license 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.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

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.

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

F. Fund Balance

Fund balance is divided into two 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. 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
COSHOCTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. 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.

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:

	2013	2012
Demand deposits	\$140,475	\$136,118

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	\$44,740	\$47,859	\$3,119
Special Revenue	102,459	99,322	(3,137)
Total	\$147,199	\$147,181	(\$18)

**MONROE TOWNSHIP
COSHOCOTON COUNTY**

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

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$130,093	\$34,659	\$95,434
Special Revenue	153,224	108,165	45,059
Total	\$283,317	\$142,824	\$140,493

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$93,792	\$107,738	\$13,946
Special Revenue	102,541	98,857	(3,684)
Total	\$196,333	\$206,595	\$10,262

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,437	\$68,720	\$78,717
Special Revenue	151,517	104,704	46,813
Total	\$298,954	\$173,424	\$125,530

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 - Dump Truck	\$9,000	3.75%

The Township entered into a promissory note in 2011 for \$25,000 with an interest rate of 3.75% to finance the purchase of a new dump truck and plowing equipment for Township road maintenance. The Township's taxing authority collateralized the bonds.

The Township paid the remaining debt in February 2014.

**MONROE TOWNSHIP
COSHOCOTON COUNTY**

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

6. 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 these plans' 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%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

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.) (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

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

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

7. 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 \$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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$2,973	\$0

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.

8. Jointly Governed Organization

Walhonding Valley Fire District (the District)

The District provides fire protection services for the Township. The District is directed by an appointed eleven-member Board of Trustees. One board member is appointed by each political subdivision within the District with one member at large appointed from one of the political subdivisions. Those subdivisions are the Bedford Township, Bethlehem Township, Clark Township, Jefferson Township, Monroe Township, Newcastle Township, Perry Township, Tiverton Township, Village of Nellie and Village of Warsaw. The District provides fire protection services to citizens within those areas. During 2013 and 2012, the Township paid no monies to the District.

9. Restatement of Fund Balances

During the prior audit covering 2007 and 2006, the Township paid Trustee wages totaling \$15,229 and \$14,407, respectively, from the Gasoline Tax Fund without supporting documentation as required by Ohio Rev. Code § 505.24(C) and 2004 Op. Att'y Gen. No. 2004-036. The total amount due from the General Fund to the Gasoline Tax Fund was \$29,636.

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

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

9. Restatement of Fund Balances (Continued)

The Township has repaid the total amount due by making fund balance adjustments in 2010 – 2013 as follows:

<u>Year</u>	<u>Repayment</u>
2010	\$5,000
2011	5,000
2012	7,636
2013	<u>12,000</u>
	\$29,636

As a result, beginning fund balances for 2013 and 2012 were restated as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Cash Fund Balance, January 1, 2013	\$85,353	\$50,765	\$136,118
Adjustment for Recovery of Funds	(12,000)	12,000	0
Restated Cash Fund Balance, January 1, 2013	<u>\$73,353</u>	<u>\$62,765</u>	<u>\$136,118</u>
Cash Fund Balance, January 1, 2012	\$53,971	\$48,976	\$102,947
Adjustment for Recovery of Funds	(7,636)	7,636	0
Restated Cash Fund Balance, January 1, 2012	<u>\$46,335</u>	<u>\$56,612</u>	<u>\$102,947</u>

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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
Coshocton County
29120 CR 49
Warsaw, Ohio 43844

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, Coshocton 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 October 9, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. In addition, we qualified our opinion on the General Fund and Special Revenue Fund balances for the year ended December 31, 2012 for failure to make required fund adjustments. Also, the Township's cash fund balance at January 1, 2012 and January 1, 2013 was restated to account for the final repayment of a Finding for Adjustment from the 2007-2006 audit between the General Fund and Gasoline Tax Fund totaling \$7,636 and \$12,000, respectfully.

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. 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 2013-001 and 2013-003 described in the accompanying Schedule of Findings to be material weaknesses.

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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 2013-002 and 2013-003.

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

October 9, 2014

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

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

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

Material Weakness - Financial Reporting

As a result of audit procedures performed, errors were noted in the Township's financial statements that required audit reclassifications and adjustments as follows:

- Charges for Services from a chip and seal project in the amount of \$11,681 was incorrectly classified as Miscellaneous Revenue in 2012;
- General Fund balances of \$90,324 and \$85,353 were incorrectly classified as Unassigned instead of Assigned in 2013 and 2012, respectively. The entire ending balance was appropriated in the subsequent year to cover permanent appropriations exceeding estimated revenue from the first amended certificate of the subsequent year. As a result, the ending balances were assigned to subsequent year appropriations;
- A fund balance adjustment was made for a Gasoline Tax Fund intergovernmental receipt posted to the General Fund and a General Fund local government receipt posted to the Gasoline Tax Fund which resulted in a net difference of \$3,770. An adjustment was made to increase the Gasoline Tax Fund balance and decrease the General Fund balance by \$3,770 in 2013;
- During a prior audit covering 2007 and 2006, the Township paid Trustee wages totaling \$15,229 and \$14,407, respectively, from the Gasoline Tax Fund without supporting documentation as required by Ohio Rev. Code § 505.24(C) and 2004 Op. Att'y Gen. No. 2004-036. The Township has declined to make the full adjustment during prior audit periods. As of December 31, 2012 and 2013, the Township's General Fund cash balance was reduced \$7,636 and \$12,000, respectively, and the Gasoline Tax Fund increased by the same amounts.

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the 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, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions.

The Township's financial statements and computer system have been corrected accordingly.

Official's Response: As a Fiscal Officer, this was my first time doing chip & seal for the township. I was not aware of the proper way of classifying the charges in the miscellaneous revenue fund. I will make a new revenue fund for 2015, just in case our township ever does chip & seal in the future.

The General Fund balances that were incorrectly classified as unassigned instead of assigned. I will get with another knowledgeable fiscal officer who can help set this up correctly. I thought the UAN system would tell you when setting up your funds, if anything was listed incorrectly.

I made a fund adjustment for the incorrect receipt posted to the general fund and for the incorrect receipt posted to the gasoline fund. I will set up quarterly review for an outside person of my receipt postings to make sure all is correct.

**MONROE TOWNSHIP
COSHOCKTON 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

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 in 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 2011, the Board of Trustees and Fiscal Officer signed a series of promissory notes totaling \$25,000 with the Ohio Heritage Bank for a truck. Because this debt is a promissory note between a banking institution and the Township, the note does not meet the requirements set forth in Ohio Rev. Code Chapter 133. The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships.

The Board of Trustees should consult with the township's legal counsel prior to the Township incurring future debt to assess what type of debt would be legal for a township to incur.

Official's Response: I consulted with my legal counsel and our county auditor before I took out the loan for the truck. Neither one of them mention about having to do a bond for the loan. If the township ever does a loan in the future I will look at setting up a bond for the loan.

Finding Number 2013-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, to be paid into a special fund for such purpose. Ohio Rev. Code § 5735.27(A)(5)(d) requires gasoline taxes collected and distributed to the Township to be used towards the maintenance and construction of roads.

The Township reported one gasoline tax receipt totaling \$4,456 in the General Fund instead of the Township's Gasoline Tax Fund. The Township reported one local government receipt, paid by the State to provide general assistance to the Township, totaling \$686 in the Gasoline Tax Fund instead of the Township's General Fund. This resulted in the Township reporting \$3,770 in intergovernmental receipts in the General Fund that should have been reported in the Gasoline Tax Fund.

The Township should review various revenue reports and supporting documentation to determine if revenue was reported in the correct fund and classification.

The financial statements and computer system have been adjusted accordingly.

**MONROE TOWNSHIP
COSHOCTON 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)

Noncompliance and Material Weakness - Ohio Rev. Code § 5705.10(D) (Continued)

Official's Response: I made a fund balance adjustment for the incorrect receipt posted to the gasoline fund and for the incorrect receipt posted to the general fund. I will set up quarterly reviews for an outside person of my receipt postings to make sure all is correct.

**MONROE TOWNSHIP
COSHOCOTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Prior Audit Proposed Finding for Adjustment – Fund Balance Adjustments from 2007 and 2006	No	See Finding 2013-001
2011-002	Financial Reporting – Classification / Reporting Debt Proceeds and Disbursements, Capital Outlay Disbursements	No.	See Finding 2013-001



Dave Yost • Auditor of State

MONROE TOWNSHIP

COSHOCTON 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 21, 2014**