

MONROE TOWNSHIP

HOLMES COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

Board of Trustees
Monroe Township
5207 Township Road 257
Millersburg, Ohio 44654

We have reviewed the *Report of Independent Accountants* of the Monroe Township, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Trustee Salary Allocation

Pursuant to Ohio Rev. Code Section 505.24 (C) 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.

We noted that the Township paid the trustees' salaries 100 percent from special revenue funds for the first three (3) months of 2011 in the amount of \$8,490. The Township allocated \$4,952 of trustee salaries to the Road and Bridge Fund and \$3,538 to the Road District Fund without proper supporting certifications or any documentation of time spent. We also noted that the Township recorded trustee salaries in special revenue funds without proper supporting documents in 2009 and 2010 in the amounts of \$19,103 and \$25,470, respectively, for which a finding for adjustment was issued on June 7, 2011. These adjustments were not made in the financial statements.

If Township trustees do not certify the percentage of time spent working on matters to be paid from restricted township funds as required under Ohio Rev. Code Section 505.24 (C) and if documentation otherwise is not provided to show the allocation of their time, then no part of trustee salaries may be paid from restricted funds.

In accordance with the foregoing facts, we hereby issue a finding for adjust against the Road and Bridge Fund and Road District Fund in the amounts of \$4,952 and \$3,538, respectively, in favor of the General Fund.

Board of Trustees
Monroe Township
5207 Township Road 257
Millersburg, Ohio 44654
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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. The Monroe Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

October 9, 2013

MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2012 and 2011

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REPORT OF INDEPENDENT ACCOUNTANTS

Monroe Township
Holmes County
5207 Township Road 257
Millersburg, OH 44654

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Monroe Township, Holmes County, (the Township) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

During the first three months of 2011, the Township paid trustees' wages totaling \$4,952 and \$3,538, respectively, from the Road and Bridge Fund and Road District Fund. During 2010, the Township paid trustees' wages totaling \$10,612, \$13,443 and \$1,415, respectively, from the Road & Bridge Fund, Road District Fund and the Gasoline Tax Fund. During 2009, the Township paid trustees' wages totaling \$9,198 and \$9,905, respectively, from the Road & Bridge Fund and the Road District Fund. These were paid without supporting documentation as required by Ohio Revised Code Section 505.24(C) and 2004 Opinion Attorney General Number 2004-036. The Township declined to make these adjustments. Had the Township agreed to these adjustments, the effect would have resulted in negative General Fund cash balances at December 31, 2012 and 2011 would have been (\$33,915) and (\$47,975), respectively. The Road and Bridge Fund cash balances at December 31, 2012 and 2011 would have been \$30,381 and \$86,079, respectively. The Road District Fund cash balances at December 31, 2012 and 2011 would have been \$48,175 and \$28,595, respectively. The Gasoline Tax Fund cash balances at December 31, 2012 and 2011 would have been \$14,549 and \$11,208, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Monroe Township, Holmes County as of December 31, 2012 and 2011, 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 9 to the financial statements, during 2011 Monroe Township, Holmes County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2013, 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.



Charles E. Harris & Associates, Inc.
June 19, 2013

**MONROE TOWNSHIP
HOLMES COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2012**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
RECEIPTS:			
Property and Other Local Taxes	\$ 39,754	\$ 120,620	\$ 160,374
Charges for Services	-	9,912	9,912
Intergovernmental	53,571	105,837	159,408
Earnings on Investments	34	68	102
Miscellaneous	11,495	435	11,930
Total Cash Receipts	104,854	236,872	341,726
DISBURSEMENTS:			
Current:			
General Government	83,899	-	83,899
Public Works	6,895	158,254	165,149
Capital Outlay	-	84,636	84,636
Debt Service:			
Principal Retirement	-	25,120	25,120
Interest and Fiscal Charges	-	3,518	3,518
Total Cash Disbursements	90,794	271,528	362,322
Net Change in Fund Cash Balances	14,060	(34,656)	(20,596)
Fund Cash Balance, January 1, 2012	5,088	73,495	78,583
Fund Cash Balances, December 31, 2012			
Restricted	-	38,839	38,839
Assigned	45	-	45
Unassigned	19,103	-	19,103
Fund Cash Balance, December 31, 2012	\$ 19,148	\$ 38,839	\$ 57,987

See accompanying Notes to the Financial Statements

**MONROE TOWNSHIP
HOLMES COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2011**

	<u>Governmental Fund Types</u>		(Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
RECEIPTS:			
Property and Other Local Taxes	\$ 15,594	\$ 141,324	\$ 156,918
Charges for Services	-	11,225	11,225
Intergovernmental	29,112	105,515	134,627
Earnings on Investments	21	41	62
Miscellaneous	1,327	-	1,327
Total Cash Receipts	46,054	258,105	304,159
DISBURSEMENTS:			
Current:			
General Government	41,451	6,368	47,819
Public Works	800	172,825	173,625
Health	800	-	800
Capital Outlay	-	71,917	71,917
Debt Service:			
Principal Retirement	-	55,701	55,701
Interest and Fiscal Charges	-	5,962	5,962
Total Cash Disbursements	43,051	312,773	355,824
Cash Receipts Over/(Under) Cash Disbursements	3,003	(54,668)	(51,665)
Other Financing Receipts (Disbursements)			
Sales of Notes	-	117,000	117,000
Total Other Financing Receipts (Disbursements)	-	117,000	117,000
Net Change in Fund Cash Balances	3,003	62,332	65,335
Fund Cash Balance, January 1, 2011	2,085	11,163	13,248
Fund Cash Balances, December 31, 2011			
Restricted	-	73,495	73,495
Assigned	45	-	45
Unassigned	5,043	-	5,043
Fund Cash Balance, December 31, 2011	\$ 5,088	\$ 73,495	\$ 78,583

See accompanying Notes to the Financial Statements

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Monroe Township, Holmes County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance. Fire protection and emergency medical services are provided by the Western Holmes County Fire District.

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

B. BASIS OF ACCOUNTING

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

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

C. DEPOSITS AND INVESTMENTS

The Township's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. FUND ACCOUNTING

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

These funds account for the proceeds of specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

Road District Fund - This fund receives levy money to pay 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 and appropriations may not exceed estimated resources. The Township Board must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations at year-end are carried over to the subsequent year.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011

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**

The Board can *commit* amounts via formal action by resolution. The Township must adhere to these commitments unless the Board amends 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 the Township Board 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.

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

G. **PROPERTY, PLANT AND EQUIPMENT**

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

H. **ACCUMULATED LEAVE**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. **EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2012	2011
Demand deposits	\$78,583	\$57,987

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by securities specifically pledged by the financial institution to the Township or (3) collateralized by the financial institution's public entity deposit pool.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2012 and 2011 is as follows:

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 98,500	\$ 104,854	\$ 6,354
Special Revenue	215,850	236,872	21,022

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 102,668	\$ 90,839	\$ 11,829
Special Revenue	286,962	271,790	15,172

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO**
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011

3. **BUDGETARY ACTIVITY** – (continued)

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 43,968	\$ 46,054	\$ 2,086
Special Revenue	365,958	375,105	9,147

<u>Fund Type</u>	<u>2011 Budgeted vs. Actual Budgetary Basis Disbursements</u>		
	<u>Total Appropriations</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 43,096	\$ 43,096	-
Special Revenue	313,035	313,035	-

4. **PROPERTY TAXES**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. **DEBT**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$108,308	4.00%
Total	\$108,308	

In 2011, the Township obtained a \$117,000, 4.00% loan from a local bank. This loan was obtained in order to pay for the construction of a new building, to pay off the remaining balance on a loan for a grader, and to purchase a new tractor. The loan will be paid in semi-annual installments of \$11,084, with the final payment due in 2018.

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

5. DEBT – (continued)

Amortization of the above debt is scheduled as follows:

Year ending Decemebr 31:	Bank Loan		
	Principal	Interest	Total
2013	\$18,000	\$4,168	\$22,168
2014	18,740	3,428	22,168
2015	19,498	2,670	22,168
2016	20,285	1,883	22,168
2017	21,105	1,063	22,168
2018	10,680	214	10,894
Total	<u>\$108,308</u>	<u>\$13,426</u>	<u>\$121,734</u>

6. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

8. CONTINGENT LIABILITIES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO
Notes to the Financial Statements
For The Years Ended December 31, 2012 and 2011**

9. CHANGE IN ACCOUNTING PRINCIPLE

In 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

10. NONCOMPLIANCE

Contrary to Ohio Revised Code Section 5705.41 (D), the Township did not always certify funds prior to ordering goods or services.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Monroe Township
Holmes County
5207 Township Road 257
Millersburg, OH 44654

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, Holmes Township (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 19, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We qualified our opinion due to the Township declining to make the adjustments related to improper trustee salary allocation in 2009, 2010 and the first three months of 2011. We also noted the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

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 2012-Monroe-002 and 003 described in the accompanying schedule of findings to be material weaknesses.

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 2012-Monroe-001 and 003.

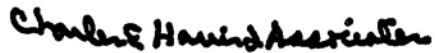
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 19, 2013.

Entity's Responses to Findings

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

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
June 19, 2013

**MONROE TOWNSHIP
HOLMES COUNTY
SCHEDULE OF FINDINGS
December 31, 2012 and 2011**

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

Finding Number 2012-Monroe-001 – Non-Compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a 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 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.

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for 26 of 62 non-payroll expenditures tested for the audit period. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances.

**MONROE TOWNSHIP
HOLMES COUNTY
SCHEDULE OF FINDINGS
December 31, 2012 and 2011**

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

Finding Number 2012-Monroe-001 – Non-Compliance Citation (continued)

To improve controls over disbursements and to help reduce the possibility of the Township's fund exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the availability of funds prior to the commitment for the expenditure of Township money. The Township should consider the use of blanket purchase orders and "then and now" certificates to assist in complying with the above requirement.

Management's Response: Management will use "then and now" certificates to properly certify funds.

Finding Number 2012-Monroe-002 – Material Weakness

In 2011, the Township obtained a \$117,000 loan from the Commercial and Savings Bank for the construction of a building, the purchase of a tractor, and the pay off of a previous loan for a grader. The Township only recorded \$77,021 of the loan proceeds in their books and did not record the remaining \$39,979, which was used to pay off the previous loan for the grader.

Also, the Township improperly recorded redemption of principal and interest in their books in both years. The Township recorded one payment in capital outlay, one payment in general government, and several interest payments as principal payments. Further, the Township erroneously recorded an estate tax receipt as miscellaneous instead of intergovernmental and several homestead and rollback payments as property tax receipts instead of intergovernmental receipts. The financial statements were adjusted to reflect the correct activity.

We recommend that the Township properly record proceeds of loans, principal and interest in their books. Further, we recommend the Township refer to the Ohio Township Handbook and the Uniform Accounting Network accounting system to properly classify its financial activity.

Management's Response: Management will record transactions correctly in the future.

Finding Number 2012-Monroe-003 – Non-Compliance Citation and Material Weakness

Trustee Salary Allocation

Auditor of State Bulletin 2011-007 summarized legislative changes governing township fiscal officers and trustees compensation. Applicable Ohio Revised Code Sections are 505.24(c), and 507.09(c) and Ohio Attorney General opinion 2004-036. These sections established certain requirements when trustee salaries are paid from other than the general fund. A resolution must be passed which specifies the proportions of the salaries which are to be paid from each fund. Also, each trustee must complete a certification prior to receiving his/her pay for each pay period certifying the percentage of time that the trustee spent during that pay period providing services related to each fund to be charged.

We noted that the Township paid the trustees' salaries 100% from special revenue funds for the first 3 months of 2011 in the amount of \$8,490 without proper supporting certifications of time spent. For the remainder of the audit period the trustees' salaries were paid 100% from the general fund. We also noted that the Township recorded trustee salaries in special revenue funds without proper supporting documents in 2009 and 2010 in the amounts of \$19,103 and \$25,470, respectively. These adjustments were not made in the financial statements.

**MONROE TOWNSHIP
HOLMES COUNTY
SCHEDULE OF FINDINGS
December 31, 2012 and 2011**

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

Finding Number 2012-Monroe-003 – Non-Compliance Citation and Material Weakness (continued)

We recommend that the trustees maintain the required certifications or continue to be paid 100% from the general fund to comply with the Ohio Revised Code, Ohio Attorney General Opinions and Auditor of State bulletins.

Management's Response: Management will maintain the required certification or pay trustees 100% from the General Fund in the future.

**MONROE TOWNSHIP
HOLMES COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2012 and 2011**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-MTHC-01	Ohio Revised Code Section 5705.41 (D) – Certification of Funds	No	Repeated as 2012- Monroe-001
2010-MTHC-02	Ohio Revised Code Section 505.24 (c)- Allocation of trustee salaries	No	Repeated as 2012- Monroe-003
2010-MTHC-03	Material Weakness – Failure to record loan proceeds and other recording errors	No	Repeated as 2012- Monroe-002

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Dave Yost • Auditor of State

MONROE TOWNSHIP

HOLMES 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 22, 2013**