

MONROE TOWNSHIP

DARKE COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

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725 5<sup>th</sup> Street  
Portsmouth, Ohio 45662





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Monroe Township  
2223 Red River West Grove Road  
Laura, Ohio 45337

We have reviewed the *Independent Auditor's Report* of Monroe Township, Darke County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 17, 2008

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**MONROE TOWNSHIP  
DARKE COUNTY**

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the Monroe Township (the Township), Darke County, Ohio, as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's

February 15, 2008

**MONROE TOWNSHIP  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Funds Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary</u>	<u>(Memorandum Only)</u>
<b><u>Cash Receipts</u></b>				
Property and Other Taxes	\$ 17,861	\$ 46,882	\$ -	\$ 64,743
Fines Licences & Permit	-	1,946	-	1,946
Intergovernmental	145,855	105,833	-	251,688
Earnings on Investments	7,207	345	63	7,615
Miscellaneous	87	10,528	-	10,615
Total Cash Receipts	<u>171,010</u>	<u>165,534</u>	<u>63</u>	<u>336,607</u>
<b><u>Cash Disbursements:</u></b>				
General Government	35,277	918	-	36,195
Public Safety	-	17,390	-	17,390
Public Works	-	161,764	-	161,764
Health	7,136	10,969	-	18,105
Supplies and Materials	-	-	30	30
Capital Outlay	-	1,303	-	1,303
Total Cash Disbursements	<u>42,413</u>	<u>192,344</u>	<u>30</u>	<u>234,787</u>
Total Receipts Over (Under) Disbursements	<u>128,597</u>	<u>(26,810)</u>	<u>33</u>	<u>101,820</u>
Other Financing Receipts/(Disbursements):				
Transfers In	-	1,500	-	1,500
Transfers Out	<u>(1,500)</u>	<u>-</u>	<u>-</u>	<u>(1,500)</u>
Total Other Financing Receipts (Disbursements)	<u>(1,500)</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements				
	127,097	(25,310)	33	101,820
Fund Cash Balances, January 1	<u>99,816</u>	<u>100,482</u>	<u>1,500</u>	<u>201,798</u>
Fund Cash Balances, December 31	<u>\$ 226,913</u>	<u>\$ 75,172</u>	<u>\$ 1,533</u>	<u>\$ 303,618</u>

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



**MONROE TOWNSHIP  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Funds Types</u>			Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary</u>	<u>(Memorandum Only)</u>
<b><u>Cash Receipts</u></b>				
Property and Other Taxes	\$ 17,722	\$ 46,223	\$ -	\$ 63,945
Fines Licences & Permit	-	1,804	-	1,804
Intergovernmental	85,483	97,750	-	183,233
Earnings on Investments	2,661	223	32	2,916
Miscellaneous	43	13,500	-	13,543
Total Cash Receipts	<u>105,909</u>	<u>159,500</u>	<u>32</u>	<u>265,441</u>
<b><u>Cash Disbursements:</u></b>				
General Government	40,952	173	-	41,125
Public Safety	-	22,722	-	22,722
Public Works	-	124,857	-	124,857
Health	6,847	15,700	-	22,547
Supplies and Materials	-	-	32	32
Capital Outlay	-	2,701	-	2,701
Total Cash Disbursements	<u>47,799</u>	<u>166,153</u>	<u>32</u>	<u>213,984</u>
Total Receipts Over (Under) Disbursements	<u>58,110</u>	<u>(6,653)</u>	<u>-</u>	<u>51,457</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Transfers In	-	5,588	-	5,588
Transfers Out	<u>(3,000)</u>	<u>(2,588)</u>	<u>-</u>	<u>(5,588)</u>
Total Other Financing Receipts (Disbursements)	<u>(3,000)</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	55,110	(3,653)	-	51,457
Fund Cash Balances, January 1	<u>44,706</u>	<u>104,135</u>	<u>1,500</u>	<u>150,341</u>
Fund Cash Balances, December 31	<u>\$ 99,816</u>	<u>\$ 100,482</u>	<u>\$ 1,500</u>	<u>\$ 201,798</u>

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

**MONROE TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Monroe Township of Darke 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 general governmental services, including street maintenance and fire protection.

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 basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

All Township funds are held in an interest bearing checking account and certificates of deposit.

**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.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for construction, maintaining and repairing Township streets.

Gasoline Tax Fund – This fund receives gasoline money for constructing, maintaining and repairing Township streets.

Road and Bridge Fund – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

**MONROE TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**2. Special Revenue Funds (Continued)**

Fire District Fund – This fund receives tax levy monies for fire protection services provided to Township residents.

**3. Fiduciary Funds**

These funds report assets held in a trustee or agency capacity for individuals, private organizations, or other governments. The Township had the following significant Fiduciary Funds:

Private Purpose Trust Fund – This fund should receive principal and interest from fund investments. Proceeds are used to maintain grave sites.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Township Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also 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 cancelled, and reappropriated in the subsequent year.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Miscellaneous Revenues**

The Miscellaneous revenues are composed of revenues from funeral service fees and the sale of cemetery lots.

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

The Township maintains a cash and investment pool that 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

**MONROE TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	2007	2006
Demand deposits	\$ 118,915	\$ 109,005
Certificates of deposit	184,703	92,793
Total deposits	\$ 303,618	\$ 201,798

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 45,388	\$ 171,010	\$ 125,622
Special Revenue	135,418	167,034	31,616
Private Purpose Trust	30	63	33
Total	\$ 180,836	\$ 338,107	\$ 157,271

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 145,271	\$ 43,913	\$ 101,358
Special Revenue	237,386	192,344	45,042
Private Purpose Trust	1,530	30	1,500
Total	\$ 384,187	\$ 236,287	\$ 147,900

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,928	\$ 105,909	\$ 66,981
Special Revenue	135,397	165,088	29,691
Private Purpose Trust	40	32	(8)
Total	\$ 174,365	\$ 271,029	\$ 96,664

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 83,634	\$ 50,799	\$ 32,835
Special Revenue	239,533	168,741	70,792
Private Purpose Trust	1,541	32	1,509
Total	\$ 324,708	\$ 219,572	\$ 105,136

**MONROE TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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 State pays the Township amounts equaling these deductions. The Township includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Township's behalf.

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross wages, respectively, and the Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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 that exceed the members' deductibles.

**Casualty Coverage** – For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage up to \$10,000,000 with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**Property Coverage** – Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payments. Travelers provides aggregate stop-loss coverage based upon the

**MONROE TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**6. RISK MANAGEMENT (Continued)**

combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**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, 2006 and 2005. (latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>

  

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively.

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.

Township Contributions to OTARMA for 2006 and 2007 were as follows:

2006 - \$5,520 and 2007 - \$5,255

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contributions. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**MONROE TOWNSHIP  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**7. RELATED PARTY TRANSACTIONS**

In 2006 the Township paid Ned Sease, son of Trustee Scott Sease, \$42 to perform miscellaneous mowing and cleaning services.

In 2006 and 2007 the Township paid Courtney Oswalt, daughter of Fiscal Officer, Dawn Oswalt to perform miscellaneous mowing and cleaning services. The Township paid Courtney Oswalt \$158 in 2006 and \$58 in 2007.

In 2006 and 2007 the Township paid Andy McKibben, son of Trustee, Kevin McKibben to perform miscellaneous mowing and cleaning services. The Township paid Andy McKibben \$577 in 2006 and \$544 in 2007.

In 2007 the Township paid Jen McKibben, daughter of Trustee, Keven McKibben \$25 for a Memorial Day donation.

In 2007 the Township paid Kale Oswalt, son of Trustee, Rick Oswalt \$84 for road labor services.

In 2007 the Township paid Trustee Scott Sease \$200 for labor and rent of a tractor.

In 2007 the Township paid Oswalt Farms \$325 for labor and rent of a tractor. Oswalt Farms is owned by Trustee Rick Oswalt.

In 2007 the Township paid Julie Sease, wife of Trustee Scott Sease \$450 for rent of a bobcat.

In 2007 the Township paid Linda McKibben, wife of Trustee Kevin McKibben \$662 for rent of a bobcat.

In 2007 the Township paid George Oswalt, father of Trustee Rick Oswalt \$945 for rent of a tractor.

**8. COMPLIANCE**

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not properly certify the availability of funds prior to obligation for \$13,219 or 8% of purchases tested in 2006 and \$90,049 or 47% of purchases tested in 2007.

Contrary to U.S.C. 1.6041-1, IRS form #1099-Misc Income, was not issued to sub-contractors for 2007 and 2006.

Contrary to Ohio Rev. Code 102.03(D), all three Trustees were compensated for Township use of personal machinery and equipment such as tractors, backhoes, etc.

**9. TRANSFERS**

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; to return money to the fund from which it was originally provided once a project is completed; and to transfer capital assets. Several transfers occurred in 2006 and 2007. The following transfers occurred in 2006 and 2007:

In 2006, the Township made a transfer from the General Fund to the Zoning Fund in the amount of \$3,000 upon approval from the Board. The Township transferred from the FEMA Fund to the Road and Bridge Fund in the amount of \$2,588 upon approval from the Board. In 2007, the Township made a transfer from the General Fund to the Zoning Fund in the amount of \$1,500 upon approval from the Board.

# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

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Kentucky Society of Certified Public Accountants

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Monroe Township  
2223 Red River West Grove Road  
Laura, Ohio 45337

We have audited the accompanying cash-basis financial statements of Monroe Township (the Township), Darke County, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report thereon dated February 15, 2008, wherein we noted the Township uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Monroe Township  
Darke County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, and 2007-003.

We noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated February 15, 2008.

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

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPAs*

Caudill & Associates, CPA's  
February 15, 2008

**MONROE TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)**

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)

(1): Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

(2): Blanket certificate – Fiscal officer may prepare “blanket” certificates not exceeding \$44,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three month (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may be outstanding at one particular time for any one particular line item appropriation.

(3): Super Blanket certification – 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 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 one line item appropriation.

Forty-seven percent (47%) and eight percent (8%) of the expenditures tested were not properly certified in 2007 and 2006, respectively. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

We recommend the Township implement policies to improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations.

**Township Response:**

Township officials will monitor the proper certifying of expenditures more closely.

**MONROE TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-002**

**Noncompliance Citation – United States Code 1.6041-1**

**U.S.C. 1.6041-1** states that a Township must report any sub-contractor payments totally \$600 or more in a year to the IRS on form 1099s-Misc Income. Also, Section 6045(f) provides for information reporting for payments of gross proceeds made in the course of a trade or business to attorneys in connection with legal services.

In 2007 and 2006, sub-contractor payments were unreported to the IRS in the amounts of \$2,607 and \$3,950, respectively.

We recommend the Township obtain a copy of the federal tax identification number or social security number of each service vendor or sub-contractor and report payments of \$600 or more on an IRS 1099s-misc form each calendar year.

**Township Response:**

Township officials will file Form 1099 for any sub-contractor payments totaling \$600 or more within a calendar year.

**FINDING NUMBER 2007-003**

**Noncompliance Citation – Ohio Rev. Code Section 102.03 (D)**

The Ohio Revised Code 102.03(D) prohibits an official from using the authority or influence of his public position, formally or informally, in any issue or question or other matter that would render a definite and direct financial benefit or detriment to the value of property in which he has an interest. Revised Code 102.03(E) prohibits the official from soliciting a particular and definite benefit to the value of property he owns.

Revised Code 102.03(D) prohibits an official from taking any formal or informal action on any matter that would provide a definite, pecuniary benefit or detriment to property he owns. The official is prohibited from:

- voting;
- participating in discussions;
- participating in deliberations;
- making recommendations;
- providing advice, and
- formally or informally lobbying.

Throughout 2007, the Township rented equipment such as tractors, backhoes, etc. from Township Trustees. All Trustees were compensated for Township use of personal machinery and equipment.

We recommend the Township adopt a conflict of interest policy to help educate and instruct Township officials, whether appointed, elected or employed, on the ethics laws governing their actions and responsibilities.

**MONROE TOWNSHIP  
DARKE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

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

**FINDING NUMBER 2007-003 (Continued)**

**Township Response:**

Township officials will adopt a conflict of interest policy to help educate and instruct Township officials, whether appointed, elected or employed, on the ethics laws governing their actions and responsibilities.



**Mary Taylor, CPA**  
Auditor of State

**MONROE TOWNSHIP**

**DARKE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 29, 2008**