



Dave Yost • Auditor of State



**MONROE TOWNSHIP  
PREBLE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010 .....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings .....	19
Schedule of Prior Audit Findings .....	23

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# Dave Yost • Auditor of State

Monroe Township  
Preble County  
2159 Kimmel Rd.  
Eldorado, Ohio 45321

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

June 13, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township  
Preble County  
2159 Kimmel Rd.  
Eldorado, Ohio 45321

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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 reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 third 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Ohio Revised Code Section 505.24(C) requires that compensation of township trustees must be paid from the Township General Fund or from other restricted township funds, in such proportions based on the amount of time spent on matters related to services rendered. OAG Opinion 2004-036 indicates trustees establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds. The Township did not maintain the appropriate documentation supporting the proportioned amount paid out of the General Fund. Also, the Township charged other salaries and expenditures to incorrect funds. In addition, the Township had Finding for Adjustments from the prior audit that had not previously been paid. The Township has not posted adjustments to their accompanying financial statements or accounting records.

**The adjustments to record expenditures in the proper funds follows:**

Fund	1-1-10	12-31-10		12-31-11	
	Fund Balance	Expenditures	Fund Balance	Expenditures	Fund Balance
General	(\$48,334)	(\$7,376)	(\$55,710)	(\$6,982)	(\$62,692)
Gas Tax	20,613	3,824	24,437	3,491	27,928
Road & Bridge	27,721	3,552	31,273	3,491	34,764
Net	\$0	\$0	\$0	\$0	\$0

Also, in our opinion, because of the effects of the matter referred to in the preceding paragraph the financial statements do not present fairly, in all material respects, the combined fund cash balances Monroe Township, Preble County, Ohio, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As discussed in Note 8 to the financial statements, the Township has not posted adjustments to their General Fund for four years (2 audit periods). These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2011 would be (\$37,181). As of May 31, 2012, the Township's General Fund balance, if adjustments were posted, would be (\$8,034). A negative General Fund balance may raise doubt about the Township's ability to continue as a going concern. Note 8 describe Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As described in Note 1, during 2011 Monroe Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

June 13, 2012

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**MONROE TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$16,122	\$142,315	\$158,437
Intergovernmental	33,432	124,503	157,935
Earnings on Investments	184		184
Miscellaneous	10,506	2,777	13,283
	<b>60,244</b>	<b>269,595</b>	<b>329,839</b>
<i>Total Cash Receipts</i>			
<b>Cash Disbursements</b>			
Current:			
General Government	44,860	3,734	48,594
Public Safety		104,839	104,839
Public Works	58	156,667	156,725
Health	18,822	150	18,972
Capital Outlay	4,594	3,406	8,000
Debt Service:			
Principal Retirement	1,787	3,997	5,784
Interest and Fiscal Charges	464		464
	<b>70,585</b>	<b>272,793</b>	<b>343,378</b>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts Over (Under) Disbursements</i>	<b>(10,341)</b>	<b>(3,198)</b>	<b>(13,539)</b>
<b>Other Financing Receipts (Disbursements)</b>			
Transfers In		5,000	5,000
Transfers Out	(5,000)		(5,000)
Advances In	5,000	5,000	10,000
Advances Out	(5,000)	(5,000)	(10,000)
	<b>(5,000)</b>	<b>5,000</b>	<b>0</b>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	<b>(15,341)</b>	<b>1,802</b>	<b>(13,539)</b>
<i>Fund Cash Balances, January 1</i>	<b>40,852</b>	<b>50,581</b>	<b>91,433</b>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	52,383	52,383
Unassigned (Deficit)	25,511	0	25,511
	<b>\$25,511</b>	<b>\$52,383</b>	<b>\$77,894</b>
<i>Fund Cash Balances, December 31</i>			

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

**MONROE TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$16,504	\$136,953	\$153,457
Licenses, Permits, and Fees	1,300		1,300
Intergovernmental	36,992	131,690	168,682
Earnings on Investments	25	11	36
Miscellaneous	6,131	3,663	9,794
	<u>60,952</u>	<u>272,317</u>	<u>333,269</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	49,676	3,519	53,195
Public Safety		103,875	103,875
Public Works	67	193,621	193,688
Health	17,870	431	18,301
Capital Outlay	895		895
Debt Service:			
Redemption of Principal	701	4,672	5,373
Interest and Other Fiscal Charges		894	894
	<u>69,209</u>	<u>307,012</u>	<u>376,221</u>
Total Cash Disbursements			
	<u>69,209</u>	<u>307,012</u>	<u>376,221</u>
Total Receipts Over/(Under) Disbursements	<u>(8,257)</u>	<u>(34,695)</u>	<u>(42,952)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Advances-In	2,500		2,500
Advances-Out		(2,500)	(2,500)
	<u>2,500</u>	<u>(2,500)</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)			
	<u>2,500</u>	<u>(2,500)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(5,757)</u>	<u>(37,195)</u>	<u>(42,952)</u>
Fund Cash Balances, January 1	<u>46,609</u>	<u>87,776</u>	<u>134,385</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$40,852</u></b>	<b><u>\$50,581</u></b>	<b><u>\$91,433</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$333</u>	<u>\$333</u>

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

**MONROE TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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 the Monroe Township, Preble 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 cemetery maintenance. The Township contracts with the Villages of Eldorado and West Manchester to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 8 to the financial statements provide additional information for this entity.

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 and Investments**

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from 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 to pay for constructing, maintaining, and repairing Township roads.

Special Fire Levy Fund - This fund receives property tax money to pay for fire protection for Township residents.

**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 Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

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

**MONROE TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions. The Township had no fund balances in this classification at December 31, 2011.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Township had no fund balances in this classification at December 31, 2011.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township had no fund balances in this classification at December 31, 2011.

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**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.

**MONROE TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**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 deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$77,187	\$90,726
Total deposits	77,187	90,726
STAR Ohio	707	707
Total deposits and investments	\$77,894	\$91,433

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$51,644	\$60,245	\$8,601
Special Revenue	268,878	274,595	5,717
Total	\$320,522	\$334,840	\$14,318

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,496	\$75,586	\$16,910
Special Revenue	306,098	272,793	33,305
Total	\$398,594	\$348,379	\$50,215

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,555	\$60,952	\$397
Special Revenue	271,112	272,317	1,205
Total	\$331,667	\$333,269	\$1,602



**MONROE TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,443	\$69,209	\$22,234
Special Revenue	351,902	307,345	44,557
Total	\$443,345	\$376,554	\$66,791

**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.

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. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contribute 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MONROE TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	<b><u>2010</u></b>	<b><u>2009</u></b>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$4,305.

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2011</u></b>	<b><u>2010</u></b>
\$5,817	\$4,585

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.

**MONROE TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Compliance**

The Township did not keep documentation to pay Trustees' salaries out of the Gasoline and Road and Bridge Funds.

**8. Going Concern/Negative General Fund Balance**

The Township has not posted adjustments to their General Fund for four years (2 audit periods). These adjustments are the direct result of a lack of documenting and monitoring the allocation of salaries and other expenditures and properly charging the correct fund. If the Township makes the adjustments, the General Fund balance as of December 31, 2011 would be (\$37,181).

As of May 31, 2012, the Township's General Fund balance, if adjustments were posted, would be (\$8,034). A negative fund balance is cause for concern and can lead to the Auditor of State determining a Fiscal Watch, Caution or Emergency exists, and appointment of a financial planning and supervision commission to assume certain management responsibilities for the duration of this emergency pursuant to Chapter 118 of the Ohio Rev. Code. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Management Plans**

Monroe Township is aware of the Auditor of State's concerns over the manner in which the Trustee's salaries have been paid. The Trustees have been preparing at the end of the month a daily summary of their Township activities. These summaries appear to have been out of line with the allocation authorized at the beginning of each year. The Trustees have prepared these summaries since January 2010 and have tried to honestly reflect work done. The Township will be seeking legal assistance to address the large audit adjustments required by the Auditor of State. We will also attempt to monitor the monthly summaries to achieve salary in proportion to time worked in the many activities required of a small township with limited resources.

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# Dave Yost • Auditor of State

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

Monroe Township  
Preble County  
2159 Kimmel Rd.  
Eldorado, Ohio 45321

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Preble County, Ohio (the Township), as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated June 13, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. In addition we noted that the Township implemented GASB 54 during 2011 and the Village has suffered recurring losses that raise substantial doubt about its ability to continue as a going concern. Furthermore, we noted the Township charged salaries and other expenditures to incorrect funds and did not make the necessary adjustments to their accounting records or financial statements. 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*.

### **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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

#### **MATERIAL NONCOMPLIANCE**

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, providing an opinion 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We intend this report solely for the information and use of management, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

June 13, 2012

**MONROE TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Noncompliance Citation, Material Weakness and Finding for Adjustment**

**Ohio Revised Code, § 505.24(C)**, sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered.

Also, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Audit Bulletin 2011-007 was issued in October 2011 to inform Township Officials of recently enacted HB 153, that has modified Ohio Revised Code §§ 505.24 and 507.09. Specifically, the Bill has modified Ohio Revised Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund.

Additionally, HB 153 modified Ohio Revised Code § 507.09 to now include specific authority to compensate township fiscal officers from the general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. Like the change made to Ohio Revised Code § 505.24, this statutory change also requires a township fiscal officer to document the amount of time spent providing services related to each fund by certification.

**Ohio Revised Code, § 5705.10(H)**, provides that money paid into a fund may only be used only for the purposes for which such fund is established.

During their organizational meetings in both fiscal years 2011 and 2010, the Township Trustees determined to pay the salaries of the Trustees, the Fiscal Officer and the employees 25% from the General Fund, 75% from the Road Fund for the first six months of the year and 75% from the Road and Bridge Fund for the second six months of the year. The Trustees, Fiscal Officer and employees were required to document the days worked and what fund the work should be charged to.

The fiscal officer was paid 100% from the General Fund for both 2011 and 2010.

**FINDING NUMBER 2011-01  
 (Continued)**

The Trustees' pay is summarized in the table below. The documentation simply said "Road" and did not distinguish between Gas Tax Fund (Road) and Road and Bridge Funds.

2010:	Amount Paid	Actual % Paid	Per Documentation Trustee Fark	Per Documentation Trustee Lee	Per Documentation Trustee Glander
General	\$7,103	50%	49%	25%	61%
Gas Tax Fund (Road)	3,552	25%	51% (Road)	75% (Road)	39% (Road)
Road and Bridge Fund	3,551	25%			
2011:	Amount Paid	Actual % Paid	Per Documentation Trustee Fark	Per Documentation Trustee Lee	Per Documentation Trustee Glander
General	\$6,982	50%	55%	21%	51%
Gas Tax Fund (Road)	3,491	25%	45% (Road)	79% (Road)	49% (Road)
Road and Bridge Fund	3,491	25%			

The Trustees' documentation did not support the allocation as passed in the organizational meeting. The description of activities provided in the documentation did not match with the allocations provided, which did not match the initial determination of allocation. Due to the lack of adequate support to charge the other funds, an adjustment must be made to pay all Trustees' salaries from the General Fund.

The Township had two employees other than elected officials during the audit period. The employees maintained time sheets that showed the funds to be charged. The Township did not reconcile the timesheets to the amount charged to the funds when the payroll was processed. We noted an instance in 2010 where an employee's time sheet indicated all work completed was for the benefit of the General Fund, but the payroll check issued was from the Gas Tax Fund. This resulted in a proposed adjustment in 2010 for the amount of \$273 from the Gas Tax Fund and in favor of the General Fund. This is included in the adjustment proposed in the table below.

The following combined adjustments were proposed to allocate the 2010 and 2011 activity proportionately to the proper fund:

Year	Fund	Fund Balance Adjustment	Function Adjustment	
<b>2010</b>	General	(\$7,376)	\$7,376	General Government
	Road and Bridge	3,552	(3,552)	Public Works
	Gas Tax	3,824	(3,824)	Public Works
<b>2011</b>	General	( 6,982)	6,982	General Government
	Road and Bridge	3,491	(3,491)	Public Works
	Gas Tax	3,491	3,491	Public Works



**FINDING NUMBER 2011-01  
 (Continued)**

We also noted that in the prior audit period expenditures were made from the Gas Tax Fund as well as the Road and Bridge Fund that should have been made from the General Fund, as follows:

	General Fund	Gas Tax Fund	Road & Bridge Fund
2008	(\$21,046)	\$8,416	\$12,630
2009	(\$32,288)	\$12,197	\$20,091

Due to lack of documentation to support these payments, a Finding for Adjustment was issued during the prior audit. The Township did not make these adjustments to the accompanying financial statements and accounting records. In 2011, the Township repaid \$5,000 as a partial repayment from the General Fund to the Road and Bridge Fund.

The following table reflects the combined fund balance adjustment for all the adjustments above by fiscal year:

	General Fund	Gas Tax Fund	Road and Bridge Fund
2008	(\$21,046)	\$8,416	\$12,630
2009	(\$32,288)	\$12,197	\$20,091
2010	(\$ 7,376)	\$3,824	\$ 3,552
2011	(\$ 6,982)	\$3,491	\$ 3,491
Prior Year Finding for Adjustment - Repaid	\$5,000		(\$ 5,000)
Total	(\$62,692)	\$27,928	\$34,764

The following table illustrates the results if the Township posted all the above fund balance adjustments to their accounting records and financial statements:

Fund	1-1-10	12-31-10		12-31-11	
	Fund Balance	Expenditures	Fund Balance	Expenditures	Fund Balance
General	(\$48,334)	(\$7,376)	(\$55,710)	(\$6,982)	(\$62,692)
Gas Tax	20,613	3,824	24,437	3,491	27,928
Road & Bridge	27,721	3,552	31,273	3,491	34,764
Net	\$0	\$0	\$0	\$0	\$0

In accordance with the foregoing facts, we hereby issue a finding for adjustment to decrease the General Fund for a combined total amount of \$62,692; increase the Gas Tax Fund for a combined total amount of \$27,928 and increase the Road and Bridge Fund for a combined total in the amount of \$34,764. The Township did not make adjustments to their accounting records or to the financial statements to reflect the above amounts.

We recommend that the Township charge the funds proportionately to the appropriate funds based on the documentation supporting the expenditures. If the Township cannot determine a properly supported allocation, the expenditure should be paid from the General Fund to ensure that money paid into a fund is used only for the purpose for which it was created. This will help the Township to ensure that restricted funds are only expended for activities that are allowable and will decrease the possibility of misappropriation of funds.

**Officials' Response**

We did not receive a response from officials to the finding above.

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**MONROE TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Revised Code 505.24(C), failure to properly allocate trustees' compensation	No	Reissued as Finding 2011-01
2009-002	Revised Code 135.18 & 135.12, failure to secure adequate collateral and failure to designate a depository	Yes	
2009-003	Revised Code Section 149.351, records were lost or destroyed.	Yes	
2009-004	5705.41(D), failure to properly certify the availability of funds	Yes	
2009-005	Revised Code Section 5705.41(B) expenditures exceeded appropriations.	Yes	
2009-006	Revised Code Section 5705.39, appropriations exceeded estimated resources.	Yes	
2009-007	Revised Code Section 5705.10(H), the Special Levy Fire Fund had a negative balance.	Yes	
2009-008	Failure to properly record revenues and accurately reconcile cash.	Yes	
2009-009	Revised Code Section 5705.10, illegal interfund advances were made between funds.	Yes	

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# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**PREBLE 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  
JULY 05, 2012**