



**Auditor of State
Betty Montgomery**

**MONROE TOWNSHIP
ADAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Adams County
1905 State Route 247
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

The accompanying financial statements present certain receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-1-02(A) requires governments to classify receipt and disbursement transactions.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, except for the omission of certain receipt and disbursement classifications, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 9 to the financial statements, the Township is experiencing financial difficulties. At December 31, 2003 the Township reported a deficit fund balance of (\$26,576) in the General Fund and (\$1,951) in the Motor Vehicle Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2004 of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management and the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 13, 2004

**MONROE TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$55,325	\$55,325	\$110,650
Intergovernmental Receipts	83,955	184,416	268,371
Unclassified	15,040	752	15,792
	<u>154,320</u>	<u>240,493</u>	<u>394,813</u>
Cash Disbursements:			
Current:			
Unclassified	163,853	195,064	358,917
Debt Service:			
Principal Payments		14,144	14,144
	<u>163,853</u>	<u>209,208</u>	<u>373,061</u>
Total Cash Disbursements	<u>163,853</u>	<u>209,208</u>	<u>373,061</u>
Total Receipts Over/(Under) Disbursements	<u>(9,533)</u>	<u>31,285</u>	<u>21,752</u>
Fund Cash Balances, January 1	<u>(17,043)</u>	<u>81,764</u>	<u>64,721</u>
Fund Cash Balances, December 31	<u>(\$26,576)</u>	<u>\$113,049</u>	<u>\$86,473</u>

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

**MONROE TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property Tax and Other Local Taxes	\$52,474	\$52,474		\$104,948
Intergovernmental Receipts	76,421	124,865		\$201,286
Unclassified	5,044	353		\$5,397
	<u>133,939</u>	<u>177,692</u>	<u>0</u>	<u>311,631</u>
Cash Disbursements:				
Unclassified	119,764	206,081		325,845
Debt Service:				
Principal Payments		7,072		7,072
Capital Outlay			212,164	\$212,164
	<u>119,764</u>	<u>213,153</u>	<u>212,164</u>	<u>545,081</u>
Total Cash Disbursements	<u>119,764</u>	<u>213,153</u>	<u>212,164</u>	<u>545,081</u>
Total Receipts Over/(Under) Disbursements	<u>14,175</u>	<u>(35,461)</u>	<u>(212,164)</u>	<u>(233,450)</u>
Other Financing Receipts:				
Proceeds from Loan			212,164	212,164
	<u>0</u>	<u>0</u>	<u>212,164</u>	<u>212,164</u>
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>212,164</u>	<u>212,164</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	14,175	(35,461)	0	(21,286)
Fund Cash Balances, January 1	<u>(31,218)</u>	<u>117,225</u>	<u>0</u>	<u>86,007</u>
Fund Cash Balances, December 31	<u>(\$17,043)</u>	<u>\$81,764</u>	<u>0</u>	<u>\$64,721</u>
Reserves for Encumbrances, December 31	<u>\$2,673</u>	<u>\$685</u>	<u>0</u>	<u>\$3,358</u>

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

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Monroe Township, Adams 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 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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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).

The Township did not classify certain receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

All township funds are deposited in an interest-bearing checking account. All deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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 to construct, maintain and repair Township roads.

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax Fund

This fund receives gasoline tax money to construct, maintain and repair Township roads.

Road and Bridge Fund

This fund receives property tax money to construct, maintain and repair Township roads.

3. Capital Project Funds

These funds are used to account for financial resources to be used for the acquisition of construction of major capital projects.

Issue II Fund

This fund receives loan proceeds for the restructuring of roads within the Township.

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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Contrary to Ohio Rev. Code, Section 5705.41(D), the Township did not obtain prior certification of the fiscal officer for all purchases. The budgetary presentations have been adjusted to include material encumbrances.

Capital Projects Funds expenditures exceeded the appropriation authority by \$212,164 in 2002 because the Township recorded, for financial reporting purposes only, expenditures for payments by the State directly to contractors on behalf of the Township. The Township did not formally establish a fund as required by Section 5705.09 (F), Revised Code, and therefore did not establish the required budgetary authority.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. CASH AND DEPOSITS

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

Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

	2003	2002
Demand Deposits	\$86,473	\$64,721

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,114	\$154,320	\$54,206
Special Revenue	223,872	240,493	16,621
Total	\$323,986	\$394,813	\$70,827

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$218,157	\$163,853	\$54,304
Special Revenue	213,200	209,208	3,992
Total	\$431,357	\$373,061	\$58,296

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,798	\$133,939	\$25,141
Special Revenue	190,739	177,692	(13,047)
Capital Projects	0	212,164	212,164
Total	\$299,537	\$523,795	\$224,258

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,680	\$122,437	\$1,243
Special Revenue	304,213	213,838	90,375
Capital Projects	0	212,164	(212,164)
Total	\$427,893	\$548,439	(\$120,546)

In 2002, disbursements exceeded appropriations by \$(212,164) in the Capital Projects. Also in 2002, appropriations exceeded estimated resources by \$77,053 in the General Fund.

In 2003, disbursements exceeded appropriations by \$5,138 in the Motor Vehicle Fund and \$31,592 in the Gasoline Fund; and in 2002, disbursements exceeded appropriations in the Capital Projects Fund by \$212,164 and in the General Fund \$540. Also in 2003, appropriations exceeded estimated resources by \$137,759 in the General Fund and \$21,464 in the Road and Bridge Fund; and in 2002 in the General Fund by \$77,053.

Contrary to Ohio Rev. Code, Section 5705.10, the Township had negative fund balances in the General Fund at December 31, 2002, and in the General Fund and Motor Vehicle Fund at December 31, 2003.

Contrary to Ohio Rev. Code, Section 5705.41(D), the Township did not obtain prior certification of the fiscal officer for all purchases.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the

County by December 31. If the property owner elects to make semiannual payment, 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.

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	<u>\$190,947</u>	0%

The Township was awarded an interest free loan from the Ohio Public Works Commission in the amount of \$212,164 September 15, 2001 and received the loan proceeds September 16, 2002. The loan will be repaid annually for a period of fifteen years in the annual amount of \$14,144. The loan was for the purpose of restructuring of Brush Creek Road Phase One.

Amortization of the above debt is scheduled as follows:

	<u>Capital Improvement Loan</u>
Year ending December 31:	
2004	\$7,072
2005	14,144
2006	14,144
2007	14,144
2008	14,144
2009-2013	70,721
2014-2017	<u>56,578</u>
Total	<u><u>\$190,947</u></u>

6. RETIREMENT SYSTEMS

The Township's elected officials and part time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2001 members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of PERS participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

Risk Pool Membership

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

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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 2003 and 2002.

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

8. COMPLIANCE

The Township did not remit withholdings for State, Federal and Medicare taxes. The Township also failed to file the required state tax forms for employee withholdings for 2002.

**MONROE TOWNSHIP
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

9. FISCAL DISTRESS

The Township is experiencing financial difficulties. As of December 31, 2003 the Township had deficit fund balances of \$ (26,576) in the General Fund and \$(1,951) in the Motor Vehicle Fund; also at December 31, 2002 \$(17,043) in the General Fund. As of September 30, 2004, the Township General Fund balance was \$32,770 (unaudited), and the Motor Vehicle Fund balance was \$1,498 (unaudited).

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Monroe Township
Adams County
1905 State Route 247
Manchester, Ohio 45144

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To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated October 13, 2004, which was qualified since the Township did not classify receipts and disbursements in its financial statements. Our report also disclosed the Township is experiencing financial difficulties. 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.

Compliance

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 grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-005 and 2003-008 through 2003-10. We also noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 13, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-001, 2003-005 through 2003-007, and 2003-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 13, 2004.

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

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

Betty Montgomery
Auditor of State

October 13, 2004

MONROE TOWNSHIP
ADAMS COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2003-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Certificate** – 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 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.

**FINDING NUMBER 2003-001
 (Continued)**

The Township did not certify the availability of funds prior to purchase commitment for any of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

We noted unrecorded encumbrances for 2002 in the General Fund \$2,673 and the Road and Bridge Fund \$685. These amounts are presented on the financial statements as encumbrances and are included in the budgetary footnote.

FINDING NUMBER 2003-002

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
2002	Issue II	\$0	\$212,164	(\$212,164)
2003	Motor Vehicle	10,685	15,823	(5,138)
	Gasoline	10,521	42,113	(31,592)

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-003

Material Noncompliance

Ohio Rev. Code, Section 117.38, requires that cash basis entities must file an annual financial report within 60 days of the end of the fiscal year. The entity is also required to advertise the filing of the report in a paper of general circulation within 30 days of filing the report. The Township Clerk did not complete the 2003 and 2002 annual financial reports nor did they file the reports with the Auditor of State. An independent public accountant posted all remaining entries into the cashbook and performed bank reconciliations necessary to prepare the annual financial reports for the audit. We recommend the Township clerk review Auditor of State Bulletin 2001-012 for additional guidance.

FINDING NUMBER 2003-004

Material Noncompliance

Ohio Admin. Code, Section 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Per Ohio Admin. Code Section 117-2-02(C), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

The Township did not maintain a complete cash journal, receipts or appropriation ledger. As a result, the Township was unable to prepare the classified financial statements the Ohio Administrative Code requires.

Ohio Admin. Code, Section 117-7-01, provides suggested account classifications. These accounts classify receipts by source (taxes or charges for services, for example) and classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

FINDING NUMBER 2003-005

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The following funds had deficit fund balances at December 31, 2003: General Fund \$(26,576) and Motor Vehicle \$(1,951), and at December 31, 2002 the General Fund \$(17,043). The deficit balances indicate that cash from other funds have been used to pay the obligations of these funds. If the Township continues to have deficit fund balances, we recommend that the Township perform a fiscal analysis to determine the causes and potential solutions to the Township's problems.

FINDING NUMBER 2003-006

Reportable Condition

Budgetary financial information was not presented to the Board of Trustees and the Board was not able to monitor this information. The lack of such controls: 1) reduces the Township's ability to determine its financial status at any given time; 2) may result in the delay of funding received by the County Auditor; and 3) may result in obligations being incurred without the available resources. The Board should take a more active role in the budgetary process to determine appropriate budgetary law is followed. The Board should review the reports after they are completed to help determine the reports are complete and correct.

FINDING NUMBER 2003-007

Reportable Condition

The Township Clerk has an obligation to post transactions in a timely manner, perform monthly bank reconciliations, and submit financial reports to Township management and the Auditor of State in a timely manner.

The records and financial reports of the Township were not maintained in a timely manner. The Clerk of Monroe Township was contacted by the Auditor of State January 4, 2004 concerning the upcoming audit for the Township for the years ending December 31, 2003 and 2002. At that time, we were told the records were not posted in entirety for the audit period, bank reconciliations had not been performed for all months, and annual financial reports were not completed or filed for 2003 and 2002. The Clerk indicated he would have the records posted by April 1, 2004, the date he would leave office. On April 19, 2004, the Office of the Auditor of State issued a letter giving the Clerk 90 days to have the records completed and ready for an audit. The Clerk failed to post the records and the Trustees decided to hire an independent public accounting firm to post the cashbook, complete bank reconciliations and prepare financial reports for 2003 and 2002. The Township paid \$3,246 for additional accounting services that the prior Clerk should have performed. On May 4, 2004, the reconstructed records were presented for audit.

As a result of untimely record keeping, the Trustees did not have access to accurate fund balances to be used in management decisions. Also, untimely record keeping and a lack of account balances and financial reports could have resulted in errors going undetected for extended periods of time and insufficient funds to meet Township obligations.

We recommend that the Clerk keep records posted in a timely manner, perform monthly bank reconciliations, and complete and submit the annual financial reports to the Auditor of State by the required date each year. We also recommend that the Township Trustees play a more active part in determining that Township transactions are properly posted and reconciled on a monthly basis, and that the annual reports are completed and filed in a timely manner.

FINDING NUMBER 2003-008

Material Noncompliance

26 United States Code, Section 3403, provides employers are liable for taxes deducted and withheld. The Township did not remit any federal income tax and medicare withholdings for 2003 and 2002. The Township contacted the IRS and has paid previously unremitted withholdings from 2001 and 2000, paying an additional \$2,316 in penalties for 2001 and 2000. The Township has yet to contact the IRS regarding unremitted 2003 and 2002 withholdings. We recommend the Township contact the IRS immediately to minimize additional interest and penalties.

Ohio Rev. Code, Section 5747.07 (B)(4), requires employers to make payment of unremitted state income taxes for each calendar quarter during which they were required to be withheld. No later than the last day of the month following the last day of each quarter they shall file the proper return with the payment. The Township did not remit any state income tax withholdings or complete and file the required forms to the state for employee withholdings for 2002 and 2003.

FINDING NUMBER 2003-009

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.39, prohibits appropriations in excess of estimated resources. This section further provides that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township did not obtain this certificate from the county auditor and appropriated in excess of estimated resources in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2002	General	\$46,627	\$123,680	(\$77,053)
2003	General	80,398	218,157	(137,759)
2003	Road & Bridge	170,530	191,994	(21,464)

This resulted from the Township not appropriately monitoring budgetary status and could result in overspending of Township Funds. We recommend the Township monitor appropriations as compared to estimated resources and obtain the required certificate from the county auditor.

FINDING NUMBER 2003-010

Material Noncompliance

Ohio Rev. Code, Section 5705.09 (F), requires the Township to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the Township appropriations. The State made payments of "Issue 2" monies to contractors on behalf of the Township. The Township did not formally establish the required fund to account for these monies. The fund was established by an audit adjustment. Guidance on the accounting treatment for these types of transactions is set forth in Auditor of State Bulletin 2002-004.

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**MONROE TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40401-001	ORC Section, 5705.41(D), prior certification of funds	No	Not corrected repeated as Finding 2003-001
2001-40401-002	ORC Section, 5705.41(B), expenditures exceeding appropriations	No	Not corrected repeated as Finding 2003-002
2001-40401-003	ORC Section, 117.38, Annual financial reports	No	Not corrected repeated as Finding 2003-003
2001-40401-004	ORC Section, 117.43, Uniform System of Accounting	No	Not corrected repeated as Finding 2003-004
2001-40401-005	ORC Section 5705.10, negative fund balance	No	Not corrected repeated as Finding 2003-005
2001-40401-006	Budgetary Control	No	Not corrected repeated as Finding 2003-006
2001-40401-007	Record Keeping	No	Not corrected repeated as Finding 2003-007
2001-40401-008	United States Code, Section 3403, tax withholding and remittance	No	Not corrected repeated as Finding 2003-008



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MONROE TOWNSHIP

ADAMS 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
NOVEMBER 23, 2004**