



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**MONROE TOWNSHIP  
CLERMONT COUNTY**

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**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**REPORT OF INDEPENDENT ACCOUNTANTS**

Monroe Township  
Clermont County  
2828 State Route 222  
Bethel, Ohio 45106

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. 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 generally accepted auditing standards 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.

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, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined unclassified cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2000, 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 grants.

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

**Jim Petro**  
Auditor of State

November 16, 2000

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**MONROE TOWNSHIP  
CLERMONT COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$39,411	\$817,966	\$0	\$0	\$857,377
Intergovernmental	100,574	80,258			180,832
Earnings on Investments	45,790	17,707			63,497
Unclassified Receipts	24,399	18,647			43,046
 Total Cash Receipts	 210,174	 934,578	 0	 0	 1,144,752
<b>Cash Disbursements:</b>					
Unclassified Disbursements	159,110	668,202	119,274	0	946,586
 Total Cash Disbursements	 159,110	 668,202	 119,274	 0	 946,586
 Total Receipts Over/(Under) Disbursements	 51,064	 266,376	 (119,274)	 0	 198,166
 Fund Cash Balances, January 1	 329,772	 1,098,907	 (3,103)	 1,303	 1,426,879
 <b>Fund Cash Balances, December 31</b>	 <b><u>\$380,836</u></b>	 <b><u>\$1,365,283</u></b>	 <b><u>(\$122,377)</u></b>	 <b><u>\$1,303</u></b>	 <b><u>\$1,625,045</u></b>
 Reserve for Encumbrances, December 31	 \$4,839	 \$9,852	 \$0	 \$0	 \$14,691

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

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$36,256	\$796,563	\$0	\$0	\$832,819
Intergovernmental	157,440	93,772			251,212
Earnings on Investments	28,865	14,184			43,049
Unclassified Receipts	<u>37,347</u>	<u>25,001</u>		80	<u>62,428</u>
Total Cash Receipts	<u>259,908</u>	<u>929,520</u>	<u>0</u>	<u>80</u>	<u>1,189,508</u>
<b>Cash Disbursements:</b>					
Unclassified Disbursements	<u>99,820</u>	<u>429,950</u>	<u>3,103</u>	<u>0</u>	<u>532,873</u>
Total Cash Disbursements	<u>99,820</u>	<u>429,950</u>	<u>3,103</u>	<u>0</u>	<u>532,873</u>
Total Receipts Over/(Under) Disbursements	<u>160,088</u>	<u>499,570</u>	<u>(3,103)</u>	<u>80</u>	<u>656,635</u>
<b>Other Financing Receipts/(Disbursements):</b>					
Transfers-In		4,462			4,462
Transfers-Out	<u>(4,462)</u>				<u>(4,462)</u>
Total Other Financing Receipts/(Disbursements)	<u>(4,462)</u>	<u>4,462</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	155,626	504,032	(3,103)	80	656,635
Fund Cash Balances, January 1	<u>174,146</u>	<u>594,875</u>	<u>0</u>	<u>1,223</u>	<u>770,244</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$329,772</u></b>	<b><u>\$1,098,907</u></b>	<b><u>(\$3,103)</u></b>	<b><u>\$1,303</u></b>	<b><u>\$1,426,879</u></b>
Reserve for Encumbrances, December 31	<u>\$3,339</u>	<u>\$5,199</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,538</u>

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



**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Monroe Township, Clermont County, (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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Monroe Township Volunteer Fire Department to provide fire services and ambulance services.

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).

These statements present unclassified amounts which is a departure from the financial statement presentation prescribed by the Auditor of State of Ohio in the Ohio Administrative Code.

**C. Cash and Investments**

Certificates of deposit are valued at cost. The investment in STAROhio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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:

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fire Fund - This fund receives money from a tax levy to contract for fire protection services rendered to Township residents.

Ambulance Fund - This fund receives money from a tax levy to contract for emergency medical services to Township residents.

**3. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Township had the following significant Capital Project Fund:

Permanent Improvement Fund - The Township used this fund for park improvement on Route 222.

**5. Fiduciary Funds (Expendable Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. These trust agreements do not require the Township to maintain the corpus of the trust, therefore these funds are classified as expendable trust funds. The Township had the following significant expendable trust funds:

Cemetery bequest funds - These funds received bequest funds for the maintenance of the cemetery plots.

**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.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 re-appropriated. The Township did not use the encumbrance method of accounting. However, a review was performed to determine the amount of encumbrances outstanding at year-end which were not recorded. These additional encumbrances were added to the financial statements.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**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.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

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

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$1,114,719	\$942,695
Certificates of deposit	1,303	0
Total deposits	1,116,022	942,695
STAROhio	509,023	484,184
Total investments	509,023	484,184
Total deposits and investments	\$1,625,045	\$1,426,879

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

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 152,619	\$ 210,174	\$ 57,555
Special Revenue	890,497	934,578	44,081
Total	\$1,043,116	\$1,144,752	\$101,636

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 277,378	\$163,949	113,429
Special Revenue	1,311,255	678,054	633,201
Capital Projects	0	119,274	(119,274)
Fiduciary	1,223	0	1,223
Total	\$1,589,856	\$961,277	\$628,579

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,637	\$259,908	\$126,271
Special Revenue	861,127	933,982	72,855
Capital Projects	37,699	0	(37,699)
Fiduciary	62	80	18
Total	\$1,032,525	\$1,193,970	\$161,445

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$281,273	\$107,621	\$173,652
Special Revenue	854,715	435,149	419,566
Capital Projects	39,584	3,103	36,481
Fiduciary	1,285	0	1,285
Total	\$1,176,857	\$545,873	\$630,984

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

In 1999, the Permanent Improvement Fund and COPS Fund had expenditures which exceeded appropriations. In 1998, the Cemetery and Zoning Fund expenditures exceeded appropriations.

The Permanent Improvement Fund had a negative fund balance of \$122,377 at December 31, 1999, and \$3,103 at December 31, 1998.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

**5. RETIREMENT SYSTEMS**

The Township's full 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 post-retirement 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 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle
- Law Enforcement Liability

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

**MONROE TOWNSHIP  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

**7. COMPLIANCE**

The receipts presented on the financial statements are unclassified, other than amounts we could confirm such as local taxes, intergovernmental and interest. This presentation is a material departure from the presentation prescribed by the Auditor of State in Sections 117-03-03 through 117-03-10 of the Ohio Administrative Code. Those sections of the Ohio Administrative Code require classifying receipts by source.

Contrary to various Ohio Revised Code and Ohio Administrative Code Sections, the Township:

- Did not maintain an appropriation ledger in a complete and accurate form;
- Did not maintain a receipts ledger in the proper format;
- Did not maintain a cash journal in a complete and accurate form;
- Did not prepare or file an annual financial report;
- Did not use encumbrance accounting.



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OFFICE OF THE AUDITOR**

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250 West Court Street  
Suite 150 E  
Cincinnati, Ohio 45202  
Telephone 513-361-8550  
800-368-7419  
Facsimile 513-361-8577  
www.auditor.state.oh.us

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

Monroe Township  
Clermont County  
2828 State Route 222  
Bethel, Ohio 45106

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated November 16, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 is described in the accompanying schedule of findings as items 1999-40413-001 through 1999-40413-006. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated November 16, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-40413-001, 1999-40413-005, 1999-40413-006, 1999-40413-007, and 1999-40413-008.

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 that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Material weaknesses are described in the accompanying schedule of findings as items 1999-40413-001, 1999-40413-005, and 1999-40413-008. 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 November 16, 2000.

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

**Jim Petro**  
Auditor of State

November 16, 2000



**MONROE TOWNSHIP  
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 1999-40413-001**

**Noncompliance Citation and Material Weakness - Uniform System of Accounting**

Ohio Rev. Code, Section 117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for Townships which is set forth in the Ohio Administrative Code, Chapter 117-5. The Township did not comply in the following instances:

1. Ohio Administrative Code, Rule 117-3-03, establishes guidelines for the proper coding and classification of Township receipts. The Township did not maintain a receipt ledger for 1999 or 1998. The receipts ledger facilitates the comparison of estimated to actual receipts within each fund. This analysis permits corrective action to be taken throughout the year if revenue estimates, which are the basis for appropriations, fall below appropriations.
2. Ohio Administrative Code, Rule 117-3-08, provides guidelines for the proper and complete maintenance of a Township cash journal. The Township did not maintain a cash journal for 1999 or 1998. The cash journal documents each receipt and expenditure by date and maintains a monthly fund balance for all funds.
3. Ohio Administrative Code, Rule 117-3-11, requires the Township to maintain an appropriation ledger in a complete and accurate form as prescribed. The Township did not maintain an appropriation ledger.

Ohio Rev. Code, Section 117.38, requires that the Township prepare an annual report in accordance with forms prescribed by the Auditor of State. The report is to be certified by the proper officer of board and filed with the Auditor of State within sixty days after the close of the fiscal year. The Township did not prepare or file an annual report for the year ending December 31, 1999.

As a result of these deficiencies:

- The receipt and appropriation ledgers did not contain the level of detail necessary to post receipts and expenditures to the proper line items.
- The Township did not correctly complete or file its 1999 and 1998 Annual Financial Reports.
- The Township has been declared unauditible for the past four years which has required the Auditor of State to reconstruct the Township's books so that the records can be audited. The Township has paid \$5,791.98 for accounting services fees for 1998-1999.

The receipts presented on the financial statements are unclassified, other than amounts we could confirm such as local taxes, intergovernmental and interest. This presentation is a material departure from the presentation prescribed by the Auditor of State in Sections 117-03-03 through 117-03-10 of the Ohio Administrative Code. Those sections of the Ohio Administrative Code require classifying receipts by source. This lack of detailed accounting records could adversely affect management's decisions and could lead to inaccurate financial reporting.

To provide accurate and complete financial information for management to use in the decision making process, and to aid in the accurate classification of receipts and disbursements on the Township's annual financial report, we recommend the Township maintain a cash journal, receipt and appropriation ledgers as

**FINDING NUMBER 1999-40413-001**  
**(Continued)**

prescribed by the Ohio Admin. Code. Receipts should be posted by fund and line item, with a running balance maintained. Each line item should be posted to a separate page in the receipts ledger. Encumbrances and disbursements should be posted to the appropriation ledger resulting in declining unencumbered balances. At year-end, the totals from these ledgers should be carried forward to the annual financial report.

**FINDING NUMBER 1999-40413-002**

**Noncompliance Citation - COPS Universal Hiring Program**

Ohio Rev. Code, Section 5705.09, 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 expenditures and anticipated expenditures should be included in the Township appropriations.

During 1998, the Township participated in the Cops Universal Hiring Program to provide for the salary of new police officers. Under this program, the U.S. Department of Justice made payments of "COPS" monies to the Clermont County Sheriff's Office on behalf of the Township. The Township did not formally establish the required fund to account for these monies and did not include these monies within its annual budget. The financial statements reflect an adjustment to include Cops Universal Hiring Program money.

We recommend the Township formally establish a COPS fund and record all future Cops Universal Hiring Program payments to the Clermont County Sheriff's Office on behalf of the Township in this fund. The Township should also include all COPS monies in its annual budget and continue to monitor the budgetary activity obtaining any necessary amendments.

**FINDING NUMBER 1999-40413-003**

**Noncompliance Citation - Negative Fund Balances**

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 deficit balances indicate that cash from other funds have been used to pay the obligations of this fund. The Permanent Improvement Fund had a negative fund balance of \$122,377 at December 31, 1999 and \$3,103 at December 31, 1998.

We recommend that the Township maintain an appropriation ledger with the proper account codes and monitor disbursements against appropriations and fund balance.

**FINDING NUMBER 1999-40413-004**

**Noncompliance Citation - Expenditures Exceed Appropriations**

Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 1999, the Permanent Improvement Fund expenditures exceeded appropriations by \$119,274. The December 31, 1998 financial statement reflects an adjustment to include COPS fund receipts and expenditures, however, the Township did not include these monies within its annual budget, which resulted in expenditures exceeding appropriations in the COPS fund by \$14,449. At December 31, 1998, the Cemetery Fund and Zoning Fund had expenditures which exceeded appropriations by \$21,059 and \$1,836 respectively.

Expending money when it has not been appropriated could cause the Township to make illegal expenditures. The Township should adopt procedures to ensure that no expenditures are made unless they have been properly appropriated.

**FINDING NUMBER 1999-40413-005**

**Noncompliance Citation and Material Weakness - Encumbrances and Purchase Orders**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Trustees, if such expenditure is otherwise valid.

Of the expenditures we selected for testing all liabilities, contracts, and open purchase commitments were not certified by the Clerk and were not encumbered until the time of payment.

**Ohio Admin. Code, Section 117-3-05**, requires Townships to utilize purchase orders. The Township did not consistently use purchase orders to control disbursements. As a result, funds were not properly encumbered prior to purchases being made.

We recommend that purchase orders be completed and certified by the Clerk prior to purchases being made. Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

**FINDING NUMBER 1999-40413-005  
(Continued)**

Contrary to the above requirement, the availability of funds was not certified for all commitments at year-end. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Township obtain approved purchase orders, which contain the Treasurer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year-end commitments, incorrect amounts were certified to the County Auditor for January 1, 1999 and 2000. We performed a review of commitments existing at each year end and have reflected these outstanding commitments as reserve for encumbrances on the financial statements.

**FINDING NUMBER 1999-40413-006**

**Noncompliance Citation and Reportable Condition - Receipts and Expenditures**

Ohio Rev. Code, Section 507.07, requires the Township Clerk to keep the books of the Township, exhibit accurate statements of all moneys received and expended and maintain records of all the property owned by the Township and the income derived.

Accurate records were not maintained for all monies received and expended. The following conditions were noted:

- The records contained numerous posting errors, mathematical errors, and incomplete year-to-date totals;
- Mis-classification and mis-posting of receipts resulted in audit adjustments to correct the financial statements;
- Entries were not posted in the cash journal in chronological order;
- Copies of invoices were not retained, the Township held onto some invoices for an unusual length of time prior to payment which resulted in some penalties being paid;
- Voucher packets were not available for all disbursements.

All of these conditions exhibit a lack of control over the recording and reporting of Township financial activity and did result in inaccurate and untimely accounting records. To improve accountability and to strengthen internal accounting controls:

- The Township utilize pay ins/receipt numbers to properly track all monies received;
- Due care should be exercised by the Clerk when posting to the receipts ledger;
- All entries should be posted in the cash journal in chronological order, reflecting month to date and year to dated totals;
- Vendor invoices provide a confirmation that disbursements are for a proper public purpose. We were able to perform additional procedures to verify that expenditures were reasonable and for a proper public purpose. Vendor invoices should be retained to serve as confirmation of exact amounts due and show the exact breakdown of fees charged.

**FINDING NUMBER 1999-40413-006  
(Continued)**

- Vouchers should be signed by Board members and are used for the proper coding of expenditures. Without a voucher package for disbursements, a major control is eliminated and there is a greater risk that funds can be misappropriated and not be detected.

Implementation of these procedures will add a substantial measure of control to the receipting process, as well as provide assurance that the activity is properly handled and fairly presented on the Township's ledgers and financial reports. This may also reduce audit costs and accounting fees for future audits.

**FINDING NUMBER 1999-40413-007**

**Reportable Condition - Uniform Accounting Network System**

The Township obtained the Uniform Accounting Network (UAN) System of accounting for record keeping in 1998. During 1998 and 1999, the Clerk did not upgrade the system as required to keep it operating properly. Additionally, the Clerk did not record all financial transactions in the UAN System. As a result, the system was not fully implemented or functional and records were required to be maintained manually. The Clerk also maintained a manual payroll system.

The Township has expended Township funds in the following amounts for the UAN system:

1998	\$1,834
1999	\$2,297
2000	\$1,351 (January - June)

The Township should assess whether or not they want to be on the UAN System; and if they do, keep the upgrades current so the system will be functional and maintain all records on this system.

All receipts and disbursements should be posted to the Uniform Accounting Network. Each transaction should be posted to the appropriate account code as prescribed in the Uniform Accounting Network Township Chart of Accounts. The Township needs to keep the upgrades current so the system will be functional and maintain all records on this system.

At the end of each month and at year-end, the Township Clerk should perform the necessary close-out procedures as prescribed by the Uniform Accounting Network Accounting Manual. By performing these procedures, the Uniform Accounting Network will generate the necessary month-to-date and year-to-date totals necessary to prepare monthly bank reconciliations.

**FINDING NUMBER 1999-40413-008**

**Material Weakness - Monthly Reconciliations**

The Township did not prepare accurate or complete monthly cash reconciliations for 1999 or 1998. Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recorded transactions have been deposited in the financial institution.

At December 31, 1999, the Township's adjusted bank cash balance was not reconciled to the accounting records book balance. In the process of examining the monthly 1999 and 1998 bank reconciliations, we found that detailed documentation to support outstanding checks and other adjusting factors identified on the reconciliations were either incomplete or nonexistent. Also, the reconciliations were not being prepared in a timely manner and were not being reviewed for accuracy and completeness. These conditions could result in errors and other irregularities in the financial statements which are not detected by management.

**FINDING NUMBER 1999-40413-008**  
**(Continued)**

We recommend the Township Clerk regularly prepare the monthly bank reconciliation in a timely manner and assure that the reconciliations can be supported by detailed records which should be available for inspection. Any variances should be immediately investigated and justified. The person assigned responsibility for preparation of the monthly bank reconciliation should be adequately trained and have knowledge of the Township's operations. In addition, we recommend these reconciliations be presented to and approved by the Trustees. As indicated above, at the completion of our fieldwork at August 31, 2000, the most recent reconciliation was for the month of January 2000.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**MONROE TOWNSHIP**

**CLERMONT 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  
DECEMBER 7, 2000**