



Mary Taylor, CPA
Auditor of State

**MONROE TOWNSHIP
CLERMONT COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
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, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	23

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Mary Taylor, CPA
Auditor of State

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

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 25, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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, 2009 and 2008. 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(B) and 115.56 mandate 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 second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Monroe Township, Clermont County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2010, 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.



Mary Taylor, CPA
Auditor of State

May 25, 2010

**MONROE TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$77,992	\$995,308	\$1,073,300
Charges for Services	0	154,495	154,495
Licenses, Permits, and Fees	25,915	2,330	28,245
Fines and Forfeitures	0	1,775	1,775
Intergovernmental	109,293	336,315	445,608
Earnings on Investments	436	1,146	1,582
Miscellaneous	3,667	52,985	56,652
	<u>217,303</u>	<u>1,544,354</u>	<u>1,761,657</u>
Total Cash Receipts			
	<u>217,303</u>	<u>1,544,354</u>	<u>1,761,657</u>
Cash Disbursements:			
Current:			
General Government	190,708	933,381	1,124,089
Public Safety	0	182,557	182,557
Public Works	0	224,790	224,790
Health	9,400	109,248	118,648
Conservation - Recreation	18,445	0	18,445
Capital Outlay	0	64,209	64,209
Debt Service:			
Redemption of Principal	30,000	4,758	34,758
Interest and Other Fiscal Charges	7,247	1,942	9,189
	<u>255,800</u>	<u>1,520,885</u>	<u>1,776,685</u>
Total Cash Disbursements			
	<u>255,800</u>	<u>1,520,885</u>	<u>1,776,685</u>
Total Receipts Over/(Under) Disbursements	<u>(38,497)</u>	<u>23,469</u>	<u>(15,028)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In	0	1,517	1,517
Transfers-Out	(1,517)	0	(1,517)
Advances-In	205,900	185,500	391,400
Advances-Out	(185,500)	(205,900)	(391,400)
	<u>18,883</u>	<u>(18,883)</u>	<u>0</u>
Total Other Financing Receipts / (Disbursements)			
	<u>18,883</u>	<u>(18,883)</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(19,614)</u>	<u>4,586</u>	<u>(15,028)</u>
Fund Cash Balances, January 1 (Restated)	<u>109,497</u>	<u>1,059,562</u>	<u>1,169,059</u>
Fund Cash Balances, December 31	<u>\$89,883</u>	<u>\$1,064,148</u>	<u>\$1,154,031</u>
Reserve for Encumbrances, December 31	<u>\$18,520</u>	<u>\$3,548</u>	<u>\$22,068</u>

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$71,294	\$1,024,191	\$1,095,485
Charges for Services	0	77,588	77,588
Licenses, Permits, and Fees	23,376	6,385	29,761
Fines and Forfeitures	0	1,322	1,322
Intergovernmental	147,182	325,084	472,266
Earnings on Investments	7,613	9,475	17,088
Miscellaneous	8,989	26,477	35,466
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	258,454	1,470,522	1,728,976
Cash Disbursements:			
Current:			
General Government	180,316	1,141,554	1,321,870
Public Safety	0	91,009	91,009
Public Works	0	322,050	322,050
Health	7,438	22,060	29,498
Conservation - Recreation	20,018	0	20,018
Debt Service:			
Redemption of Principal	30,000	375	30,375
Interest and Other Fiscal Charges	8,557	183	8,740
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	246,329	1,577,231	1,823,560
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	12,125	(106,709)	(94,584)
Other Financing Receipts / (Disbursements):			
Sale of Notes	0	55,000	55,000
Transfers-In	85	77,279	77,364
Transfers-Out	(2,000)	(75,364)	(77,364)
Advances-In	206,404	331,600	538,004
Advances-Out	(127,400)	(410,604)	(538,004)
Other Financing Uses	(1,169)	0	(1,169)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	75,920	(22,089)	53,831
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	88,045	(128,798)	(40,753)
Fund Cash Balances, January 1 (Restated)	<hr/>	<hr/>	<hr/>
	21,452	1,188,359	1,209,811
Fund Cash Balances, December 31	<u>\$109,497</u>	<u>\$1,059,561</u>	<u>\$1,169,058</u>
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$1,892	\$56,291	\$58,183

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, Clermont 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Clermont County Sheriff's office for police protection.

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.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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, 2009 AND 2008
(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 property tax money for providing fire safety to 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. The Township did not encumber all commitments required by Ohio law.

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 re-appropriated. The Township did not encumber all commitments required by Ohio Law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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:

	2009	2008
Demand deposits	\$587,176	\$603,761
Certificates of deposit	0	1,517
Total deposits	587,176	605,278
 STAR Ohio	566,855	563,780
Total deposits and investments	\$1,154,031	\$1,169,058

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

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$217,990	\$217,303	(\$687)
Special Revenue	1,530,081	1,545,871	15,790
Total	\$1,748,071	\$1,763,174	\$15,103

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$357,559	\$275,837	\$81,722
Special Revenue	2,083,584	1,524,433	559,151
Total	\$2,441,143	\$1,800,270	\$640,873

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$465,146	\$258,539	(\$206,607)
Special Revenue	1,860,577	1,602,801	(257,776)
Total	\$2,325,723	\$1,861,340	(\$464,383)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$491,868	\$251,390	\$240,478
Special Revenue	2,369,665	1,708,886	660,779
Total	\$2,861,533	\$1,960,276	\$901,257

The Township did not obtain prior certification of the availability of funds from the fiscal officer for all commitments as required by Ohio Revised Code, Section 5705.41(D).

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. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Obligation Notes - Real Estate	\$135,000	4.39%
General Obligation Notes - Cemetery	49,867	4.00%
Total	\$184,867	

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

The Township issued a Real Estate Acquisition Note to finance the purchase of land for future township development. The note was issued on May 20, 2004 for \$300,000 at 4.39 percent interest. The collateral for the notes is to be a sufficient tax levied to cover principal and interest within the 10 mil limitation.

The Township issued a Cemetery Construction Note to complete the financing of the construction of a new cemetery on Laurel-Lindale Road. The note was issued on November 19, 2008 for \$55,000 at 4.00 percent interest. Monthly payments of \$558 are to be made with a final balloon payment of \$30,833 to be paid by November 19, 2013.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Note - Real Estate	General Obligation Notes - Cemetery
2010	\$35,927	\$6,700
2011	39,610	6,700
2012	38,073	6,700
2013	36,537	36,416
Total	\$150,147	\$56,516

6. Retirement Systems

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include post retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 10 percent of their gross salaries in 2009 and 2008. The Township contributed an amount equaling 14 percent of participants' gross salaries in 2009 and 2008. The Township has paid all contributions required through December 31, 2009.

7. 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.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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.

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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$17,076.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

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.

Contributions to OTARMA	
2007	\$17,693
2008	\$19,856

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

8. Restatement of Beginning Fund Balance

The Township included certain reconciling items from 2006 and 2007 in the December 31, 2007 bank reconciliation in error totaling \$23,440 which were not corrected until 2008. Additionally, there was \$15,012 of checks reported on the December 31, 2007 outstanding check list which were voided during 2008 and not replaced. The Township also did not post certain transactions accurately in prior years. Finally, the Township reported a balance in a fiduciary fund which had a balance of \$0. These adjustments had the following effects on fund balances at January 1, 2008:

General Fund		Fund Balance
General Fund Balance at December 31, 2007		\$56,324
Restatement Amounts:		
Void Outstanding Checks		5,319
Correct improper postings		(40,191)
General Fund Balance at January 1, 2008 (restated)		\$21,452

Special Revenue Funds		Fund Balance
Special Revenue Funds Balance at December 31, 2007		\$1,161,916
Restatement Amounts:		
Void Outstanding Checks		9,692
Correct improper postings		16,751
Special Revenue Funds Balance at January 1, 2008 (restated)		\$1,188,359

MONROE TOWNSHIP
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

8. Restatement of Beginning Fund Balance (continued)

Fiduciary Funds	Fund Balance
Fiduciary Funds Balance at December 31, 2007	\$1,375
Restatement Amounts:	
Correct Fiduciary Fund Balance	(1,375)
Fiduciary Funds Balance at January 1, 2008 (restated)	\$0



Mary Taylor, CPA

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
Clermont County
2828 State Route 222
Bethel, Ohio 45106

To the Township Board of Trustees:

We have audited the financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 25, 2010, 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 uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 2009-001 described in the accompanying schedule of findings to be material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-004.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 25, 2010.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 25, 2010

**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance and Material Weakness

Ohio Rev. Code, Section 507.07, requires the Township Fiscal Officer to maintain the books of the Township and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, requires public offices to maintain an accounting system and accounting records sufficient to enable the public office 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.

The cash journal was not maintained accurately with several instances where receipts were not properly classified:

- Senate Bill 3, Senate Bill 287 and House Bill 66 Tax Loss Reimbursement transactions were classified as Taxes rather than Intergovernmental.
- County property tax settlements were classified as Intergovernmental rather than Taxes.
- State Homestead and Rollback payments were classified as Taxes rather than Intergovernmental.
- Detailed reconciliations between the bank balance and ledgers were not performed timely and accurately for each month of the audit period. The Township closed out the 2009 and 2008 ledgers prior to completing a complete reconciliation, which resulted in unidentified reconciling items. These unidentified reconciling items fluctuated during the audit period from a low of \$6,889 to a high of \$333,291.
- Old outstanding checks dating back to 2001 totaling \$15,012, which had never cleared the bank, were cleared on the UAN system with no corresponding adjustment to the system fund balances.
- Bank-to-Bank transfers totaling \$10,134 were posted as cash withdrawal and receipt transactions.
- Medicaid direct deposit for \$108 was posted twice.
- Wire transfers from February and March 2006 total \$19,310 were not posted to the cash journal until 2008.
- At December 31, 2008 and 2009, the Township book balance was less than the bank balance by \$924 and \$10 respectively.
- The Township recorded a fiduciary fund balance of \$1,375 at January 1, 2008; however the balance was \$0.

**FINDING NUMBER 2009-001
(Continued)**

As a result of these errors, receipts for certain line items and funds were incorrectly reported on the Annual Report. Reclassifications and adjustments were made to individual line items and funds on the financial statements. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflected the Township's financial activity in the annual report.

Failure to accurately prepare and reconcile the accounting records on a timely basis reduces the accountability over Township funds and reduces the Trustee's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected, and increases the likelihood that the Township's financial statements will be misstated. 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 with the financial institution.

We recommend that the Fiscal Officer perform a detailed reconciliation between the bank balance and the UAN system general ledger balance monthly. The reconciled account balance (bank balance, less outstanding checks, plus deposits in transit) plus any investment balance should equal the total fund balance. Any variances should be immediately investigated and an explanation provided for any adjustments needed to be made each month to the UAN system. In addition, the Fiscal Officer should determine the reasons for the long term outstanding checks and discuss with the Board steps that can be taken to eliminate them from the outstanding check list. We further recommend that a member of the Board or all Board members review and sign off on the reconciliations thereby indicating approval and assist in the timeliness of reconciliations.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2009-002

Noncompliance Citation

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.

**FINDING NUMBER 2009-002
(Continued)**

Amounts of less than \$3,000 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. 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.

The Township did not properly certify the availability of funds for purchase commitments for twenty five percent of expenditures tested for 2008 and for forty-six percent of the expenditures tested in 2009. None of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 that the Fiscal Officer certify that 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.

We recommend the Township officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. 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 orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.36(A)(4), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FINDING NUMBER 2009-003
 (Continued)**

The Township had appropriations that exceeded actual resources and did not reduce estimated resources during fiscal year 2009 in the following funds:

Fund	Appropriations	Actual Resources	Variance
General Fund	\$357,559	\$326,840	\$(30,719)
Special Revenue Fund – Fire	\$954,514	\$755,632	\$(198,882)

Appropriations that exceeded actual resources and did not reduce estimated resources during fiscal year 2008 in the following funds:

Fund	Appropriations	Actual Resources	Variance
General Fund	\$491,868	\$279,990	\$(211,878)
Special Revenue Fund – Fire	\$941,076	\$823,945	\$(117,131)
Special Revenue Fund – Life Squad	\$202,567	\$182,826	\$(19,741)

We recommend that the Township adhere to the above statute to allow for compliance with this requirement, monitor budgetary activity and obtain amended certificates throughout the year to mitigate negative variances.

Officials' Response:

We did not receive a response from officials to this finding.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, provides that appropriations for each fund shall not exceed the estimated revenue available for expenditure as certified by the County Budget Commission. The following fund was found to have appropriations in excess of the amount certified as available by the Budget Commission for 2009:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue – Road & Bridge	\$353,160	\$367,649	\$(14,489)
Special Revenue – Police	\$44,746	\$68,771	\$(24,025)
Special Revenue – Fire	\$681,900	\$954,514	\$(272,614)

**FINDING NUMBER 2009-004
(Continued)**

The following funds were found to have appropriations in excess of the amount certified as available by the Budget Commission for 2008:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue – Police	\$56,361	\$63,644	\$(7,283)
Special Revenue – Life Squad	\$190,707	\$199,420	(8,713)

We recommend that the Township adhere to the above statute which will assist them in not expending resources that are unavailable and incurring negative fund balances.

Officials' Response:

We did not receive a response from officials to this finding.

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**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC Section 5705.41(B). expenditures exceeding appropriations	No	Partially corrected. Moved to Management Letter
2007-002	ORC Section 5705.41(D)(1), failure to properly certify the availability of funds.	No	Reissued as finding 2009-002
2007-003	ORC Section 507.07, not accurately maintaining financial records.	No	Reissued as Finding 2009-001
2007-004	ORC Section 505.24, portion of Trustees salaries were paid from a fund other than the General Fund without supporting documentation.	Yes	



Mary Taylor, CPA
Auditor of State

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
JUNE 29, 2010**