



Mary Taylor, CPA
Auditor of State

**MONROE TOWNSHIP
PREBLE COUNTY**

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Mary Taylor, CPA Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

October 12, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 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.

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During 2009 and 2008, Monroe Township, Preble County expended \$32,288 and \$21,046, respectively, from the Gasoline and Road and Bridge Funds to pay Trustees' salaries. Ohio Revised Code Section 505.24(C) indicates compensation of township trustees must be paid from the Township General Fund or from other restricted township funds, in such proportions based on the amount of time spent on matters related to services rendered. OAG Opinion 2004-036 indicates trustees establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds. The Township did not maintain the appropriate documentation supporting the proportioned amount paid out of the General Fund. Adjustments should have been made to the accompanying financial statements for this amounts not properly expended from the correct funds. Had these adjustments been made, the General Fund cash balance at December 31, 2009 would have been (\$6,725) and the Special Revenue Fund cash balance at December 31, 2009 would have been \$141,110.

The adjustment required to record these salaries in the General Fund are as follows:

Fund	December 31, 2008		December 31, 2009	
	Expenditures	Fund Balance	Expenditures	Fund Balance
General	\$21,046	(\$21,046)	\$32,288	(\$32,288)
Gasoline	(8,416)	8,416	(12,197)	12,197
Road and Bridge	(12,630)	12,630	(20,091)	20,091
Net	0	0	0	0

Also, in our opinion, because of the effects of the matter referred to in the preceding paragraph the financial statements do not present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Monroe Township, Preble County, Ohio, 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 October 12, 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

October 12, 2010

**MONROE TOWNSHIP
PREBLE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$16,588	\$134,064	\$150,652
Licenses, Permits, and Fees	4,916		4,916
Intergovernmental	73,657	129,558	203,215
Earnings on Investments	44	117	161
Miscellaneous	555	3,836	4,391
	<u>95,760</u>	<u>267,575</u>	<u>363,335</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	54,945	3,278	58,223
Public Safety		102,013	102,013
Public Works		153,354	153,354
Health	15,226	192	15,418
Capital Outlay	701	6,827	7,528
	<u>70,872</u>	<u>265,664</u>	<u>336,536</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>24,888</u>	<u>1,911</u>	<u>26,799</u>
Other Financing Receipts:			
Other Financing Sources	<u>1,973</u>		<u>1,973</u>
Total Other Financing Receipts	<u>1,973</u>	<u>0</u>	<u>1,973</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	26,861	1,911	28,772
Fund Cash Balances, January 1	<u>19,748</u>	<u>85,865</u>	<u>105,613</u>
Fund Cash Balances, December 31	<u>\$46,609</u>	<u>\$87,776</u>	<u>\$134,385</u>
Reserve for Encumbrances, December 31	<u>\$50</u>	<u>\$216</u>	<u>\$266</u>

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

**MONROE TOWNSHIP
PREBLE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$14,394	\$139,280	\$153,674
Licenses, Permits, and Fees	7,198		7,198
Intergovernmental	43,840	124,917	168,757
Earnings on Investments	2,055	1,353	3,408
Miscellaneous	1,978	800	2,778
	<u>69,465</u>	<u>266,350</u>	<u>335,815</u>
Cash Disbursements:			
Current:			
General Government	86,302	3,487	89,789
Public Safety		123,154	123,154
Public Works		149,530	149,530
Health	13,005		13,005
Capital Outlay	5,019	10,945	15,964
	<u>104,326</u>	<u>287,116</u>	<u>391,442</u>
Total Receipts Over/(Under) Disbursements	<u>(34,861)</u>	<u>(20,766)</u>	<u>(55,627)</u>
Other Financing Receipts:			
Other Financing Sources	10,867		10,867
	<u>10,867</u>	<u>0</u>	<u>10,867</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(23,994)	(20,766)	(44,760)
Fund Cash Balances, January 1	43,742	106,631	150,373
Fund Cash Balances, December 31	\$19,748	\$85,865	\$105,613

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

**MONROE TOWNSHIP
PREBLE 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 Monroe Township, Preble County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Villages of Eldorado and West Manchester to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash 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.

Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

D. Fund Accounting

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

1. General Fund

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

**MONROE TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. 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.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Cash and Investments

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

	2009	2008
Demand deposits	\$108,982	\$2,921
STAR Ohio	25,403	102,692
Total deposits and investments	\$134,385	\$105,613

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

At April 30, 2008, \$30,899 of deposits were not insured or collateralized, contrary to Ohio law.

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

3. Budgetary Activity

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

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$48,300	\$97,733	\$49,433
Special Revenue	229,000	267,575	38,575
Total	\$277,300	\$365,308	\$88,008

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,137	\$70,922	\$17,215
Special Revenue	343,034	265,880	77,154
Total	\$431,171	\$336,802	\$94,369

**MONROE TOWNSHIP
PREBLE 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	\$52,490	\$80,332	\$27,842
Special Revenue	199,850	266,350	66,500
Total	\$252,340	\$346,682	\$94,342

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,719	\$104,326	\$21,393
Special Revenue	276,401	287,116	(10,715)
Total	\$402,120	\$391,442	\$10,678

Contrary to Ohio law, at December 31, 2008, expenditures exceeded appropriations in the Fire Fund by \$36,354, respectively.

Contrary to Ohio law, appropriations exceeded estimated resources for 2009 in the General Fund and Fire Fund by \$20,000 and \$28,258, respectively.

Contrary to Ohio law, at December 31, 2009 and 2008 the Fire Levy Fund had a negative fund balance of (\$1,246).

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.

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
PREBLE COUNTY**

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

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Backhoe Lease	\$11,177	8%

The Township entered into a lease purchase agreement for the purchase of a backhoe on January 15, 2007 with Case Credit. The lease will be paid in five annual installments of \$6,267 with the option of purchasing the backhoe at the end of the lease for \$1.

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

	Backhoe Lease
Year ending December 31:	
2011	6,267
2012	6,267
Total	\$12,534

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 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.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

7. Risk Management (Continued)

Casualty and Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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.

<u>Contributions to OTARMA</u>	
<u>2009</u>	<u>2008</u>
\$6,687	\$5,695

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

7. Risk Management (Continued)

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. Compliance

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

The Township did not advance all monies properly.

The Township did not retain all documents for foundations and grave openings and closings.

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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
Preble County
2159 Kimmel Rd.
Eldorado, Ohio 45321

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 12, 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 and the Township did not make all audit adjustments to their financial statements and accounting records. The Township charged Trustees' salaries to the Gasoline and Road and Bridge Funds without the documentation required by Ohio Rev. Code Section 505.24(C) and Ohio Attorney General Opinion 2004-036. Without this documentation, the Township must charge salaries to the General Fund. 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

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 findings 2009-001 and 2009-008 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-009 described in the accompanying schedule of findings to be a significant deficiency.

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 2009-007 and 2009-009.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 12, 2010.

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



Mary Taylor, CPA
Auditor of State

October 12, 2010

**MONROE TOWNSHIP
PREBLE 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, MATERIAL WEAKNESS AND FINDING FOR ADJUSTMENT

Ohio Revised Code, § 505.24(C), sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Throughout the audit period the Township paid the Trustees from the General, Gas Tax, and Road and Bridge Funds. However, the Township did not maintain documentation to support Trustee time spent on activities to be paid from the Gas Tax and Road and Bridge Funds. It is necessary for township trustees to document their time in order to substantiate that salaries and insurance benefits were allocated to the proper funds. For 2008, \$12,630 was paid from the Road and Bridge Fund and \$8,416 was paid from the Gas Tax Fund. For 2009, \$20,091 was paid from the Road and Bridge Fund and \$12,197 was paid from the Gas Tax Fund. Due to lack of documentation to support these payments, the following adjustments were proposed:

2008

Fund	Function	Debit	Credit
General	General Government	\$21,046	
Gasoline	Public Works		\$8,416
Road and Bridge	Public Works		\$12,630

2009

Fund	Function	Debit	Credit
General	General Government	\$32,288	
Gasoline	Public Works		\$12,197
Road and Bridge	Public Works		\$20,091

These amounts have not been adjusted to the Township's financial statements or accounting records.

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

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in the amount of \$21,046, and in favor of the Gasoline Fund in the amount of \$8,416, the Road and Bridge Fund in the amount of \$12,630 for the year ending December 31, 2008. Also in accordance with the foregoing facts we hereby issue a finding for adjustment against the General Fund in the amount of \$32,288; and in favor of the Gasoline Fund in the amount of \$12,197, and the Road and Bridge Fund in the amount of \$20,091 for the year ending December 31, 2009.

We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Township Trustee's on various duties. Once these administrative procedures are established trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping.

FINDING NUMBER 2009-002

NONCOMPLIANCE

Ohio Revised Code, § 135.18, states that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledge securities.

Ohio Revised Code, § 135.12(B), states, in part, that each governing board other than the state board of deposit shall meet every five years on the third Monday or such regularly scheduled meeting date of the month preceding the date of the expiration of its designation of depositories for the purpose of designating the public depositories of the public moneys of the subdivision, and at such meeting or any adjourned session thereof, shall designate such public depositories and award the public moneys of the subdivision to and among the public depositories so designated for the period of five years commencing on the date of the expiration of the next preceding designation.

The Township's deposits were not adequately covered by collateral at all times during the audit period. Deposits exceeded legal security (FDIC) by up to \$30,899 in April 2008. Failure to secure adequate collateral could result in a loss of assets by the Township. We recommend the Township secure adequate collateral to cover its deposits. The Township should obtain a depository agreement with the bank.

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

The Township did not designate a depository during the period January 1, 2008 through December 31, 2008, nor execute any depository agreements. A depository agreement should include a requirement that a pledge of collateral: (1) be in writing, (2) be executed contemporaneously with the acquisition of the asset by the depository institution, (3) be approved by the financial institution's board of directors or loan committee and the approval must be reflected in the minutes of the financial institution's board or committee, and (4) be an official record of the depository institution continuously since it was executed.

Entities not having a depository agreement with a depository could risk public funds not being covered by collateral if the depository ceases to exist. We recommend that the Township approve the official designation of a depository.

FINDING NUMBER 2009-003

NONCOMPLIANCE

Ohio Revised Code, § 149.351, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code, § 149.38 to 149.42.

In addition, Ohio Revised Code § 149.39, states in part that when records have been approved for disposal, a copy of such records list shall be sent to the Auditor of State. If the Auditor of State disapproves the action by the Township's record commission in whole or in part, he shall inform the Township's records commission within a period of sixty days and these records shall not be destroyed. Before public records are otherwise disposed of, the Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considers to be of continuing historical value.

No support was maintained for six foundation receipts and one opening/closing receipt for 2008 totaling \$2,041. No support was maintained for two foundation receipts for 2009 totaling \$411.

No support was maintained for the following disbursements:

Check Number	Check Date	Vendor	Amount
2318	4/25/08	Village of West Manchester	\$19,250.00
2319	4/25/08	Village of Eldorado	19,250.00
2414	8/28/08	Village of West Manchester	19,250.00
2415	8/28/08	Village of Eldorado	19,250.00
2431	9/25/08	Preble County Recorder	184.00
2450	9/25/08	Marian Hart	100.00
2498	11/30/08	Freedom Fence & Deck	250.00
2547	1/26/09	Northwest Fuel Injection	126.12
2611	4/24/09	Frank Gates	1,121.87
2790	11/30/09	Preble County Township Association	215.00

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

No support was maintained for the following travel reimbursement to Edgar Glander: Check number 2282 dated 3/24/08 for \$597.99 for the winter conference. The check stub indicated it was broken out as follows: \$40.00 registration; \$100.00 mileage; \$137.99 meals; \$153.00 motel for two days; \$7.00 parking for two days.

No time sheets for the two hourly employees for 2008 were provided for audit.

We were able to gain assurances for the above revenues and disbursements through other auditing procedures.

We recommend the Township maintain supporting documentation for all receipts and disbursements.

FINDING NUMBER 2009-004

NONCOMPLIANCE

Ohio Revised Code, § 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 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.

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

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.

Of 41 expenditures tested, 18 (44%) were not properly certified. 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 that the Fiscal

Officer 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.

We recommend the Township certify purchases to which section 5705.41(D) applies. 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 commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-005

NONCOMPLIANCE

Ohio Revised Code, § 5705.41(B), states no taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter. Expenditures plus outstanding encumbrances exceeded appropriations in the Fire Fund at December 31, 2008 by \$36,354.

Failure to modify appropriations may result in negative fund balances.

We recommend the Township take steps to ensure appropriations are being properly monitored and recorded in the ledgers. No expenditure should be made unless funds have been sufficiently appropriated. The Fiscal Officer should deny payment requests lacking sufficient appropriations.

FINDING NUMBER 2009-006

NONCOMPLIANCE

Ohio Revised Code, § 5705.39, states, in part, that total appropriations from each fund shall not exceed the total estimated revenue available for expenditure therefrom, as certified by the budget commission. Appropriations exceeded estimated resources in the General Fund and Fire Fund at December 31, 2009 by \$20,000 and \$28,258, respectively.

Failure to limit appropriations to the amount of estimated resources can result in overspending and negative fund balances.

We recommend the Township limit appropriations to the amount of the estimated resources.

FINDING NUMBER 2009-007

NONCOMPLIANCE

Ohio Revised Code, § 5705.10(H), states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Due to audit adjustments, the Special Levy Fire Fund had a negative fund balance of (\$1,246) at December 31 2009 and December 31, 2008.

We recommend that the Township monitor fund balances and take corrective action such as advancing funds, if possible.

FINDING NUMBER 2009-008

MATERIAL WEAKNESS

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the cash reconciliation process. This lack of oversight is illustrated by the following:

- The Township did not properly record the investment balance to the UAN system in 2008 and 2009. The amounts recorded by the Township at December 31, 2008 and December 31, 2009 were \$79,598 and \$24,808, respectively; these amounts should have been \$102,692 and \$25,403, respectively.
- In 2009, the Township deleted a \$250 receipt that was received and deposited to the Township's bank account.

**FINDING NUMBER 2009-008
(Continued)**

The above items caused the Township's fund balance per the accounting records not to reconcile to the bank balance, after taking into consideration outstanding checks and deposits in transit. Adjustments were made to the financial statements and accounting records for the above items, if applicable.

The Township also lacks management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- 2008 General Fund Tax Revenue was decreased by \$1,108; Intergovernmental Revenue was increased by \$1,019.
- 2008 Road & Bridge Fund Tax Revenue was decreased by \$1,133; Intergovernmental Revenue was increased by \$2,468.
- 2008 Special Levy Fire Fund Tax Revenue was decreased by \$8,693; Intergovernmental Revenue was increased by \$7,447.

Adjustments were posted to the financial statements and Township accounting ledgers, where applicable, to correct the above classifications.

The lack of proper management oversight resulted in material misstatements of the Township's activity on the financial statements and accounting records.

To improve record keeping we recommend that all reconciliations be properly reviewed to ensure all transactions are posted and investment balances agree to statements. To improve record keeping and accountability of receipts we recommend that all receipts be posted properly.

FINDING NUMBER 2009-009

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Revised Code, Section 5705.10(H), states money that is paid into a fund must be used only for the purposes for which such fund has been established.

Auditor of State Bulletin 97-003 provides guidance on the legality and accounting treatment of inter-fund cash advances. Advances may be an effective method of resolving cash flow problems without incurring additional interest expense from short-term loans and to provide the necessary funding for reimbursable grants.

Inter-fund cash advances are subject to the following requirements:

1. Advances must be clearly labeled as such and distinguished from a transfer. Advances are intended to temporarily reallocate cash from one fund to another and involve an expectation of repayment. Transfers are intended to permanently reallocate cash between funds and are governed by Ohio Rev. Code Sections 5705.14 to 5705.16.
2. In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash ("creditor" fund) for the same purpose for which the fund receiving the cash ("debtor" fund) was established.

**FINDING NUMBER 2009-009
(Continued)**

3. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on the use of the money to be used to make the reimbursement, and
4. Advances must be approved by formal resolution of the District Board.

As stated above, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established. As such, monies are not permitted to be advanced from one special revenue fund to another special revenue fund. The Township illegally advanced \$2,500 from the Gasoline Fund to the Motor Vehicle License Tax Fund in 2008. The Township also illegally advanced \$13,000 from the Gasoline Fund to the Road and Bridge Fund in 2009. All monies were advanced back before the end of the respective years.

Adjustments were posted to the financial statements and the accounting records to correct the above errors.

Failure to properly advance monies could result in an inaccurate representation of fund balances.

We recommend the Township follow the guidance in Auditor of State Bulletin 97-003 regarding advancing monies.

The Officials did not respond to the findings noted above.

**MONROE TOWNSHIP
PREBLE COUNTY**

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

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	Failure to properly record revenues and accurately reconcile cash	No	Not Corrected – Re-Issued as Finding 2009-008
2007-002	Revised Code 5705.41(D), failure to properly certify the availability of funds	No	Not Corrected – Re-Issued as Finding 2009-004
2007-003	Revised Code 5705.41(B), expenditures exceeded appropriations	No	Not Corrected – Re-Issued as Finding 2009-005
2007-004	Revised Code 5705.39, appropriations exceeded total estimated resources	No	Not Corrected – Re-Issued as Finding 2009-006
2007-005	Revised Code 135.18 & 135.12, failure to secure adequate collateral and failure to designate a depository	No	Partially Corrected – Re-Issued as Finding 2009-002
2007-006	Revised Code 505.24(C), failure to properly allocate trustees' compensation	No	Not Corrected – Re-Issued as Finding 2009-001

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Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 16, 2010**