



**MONROE TOWNSHIP
CLERMONT COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2001-2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MONROE TOWNSHIP
CLERMONT COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements for the year ended December 31, 2000, present disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify disbursement transactions.

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

In our opinion, except for the omission of disbursement classifications for the year ended December 31, 2000, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the year ended December 31, 2001 and its combined cash receipts and unclassified disbursements for the year ended December 31, 2000, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

April 23, 2002

**MONROE TOWNSHIP
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$66,238	\$428,832	\$0	\$0	\$495,070
Intergovernmental	147,565	135,491			283,056
Licenses, Permits, and Fees		4,850			4,850
Fines, Forfeitures, and Penalties		1,524			1,524
Earnings on Investments	43,779	15,083		111	58,973
Other Revenue	45,900	7,831			53,731
	<u>303,482</u>	<u>593,611</u>	<u>0</u>	<u>111</u>	<u>897,204</u>
Cash Disbursements:					
Current:					
General Government	165,227	394,230			559,457
Public Safety		116,530			116,530
Public Works		225,752			225,752
Health	20,920	3,756			24,676
Conservation - Recreation	9,105				9,105
	<u>195,252</u>	<u>740,268</u>	<u>0</u>	<u>0</u>	<u>935,520</u>
Total Receipts Over/(Under) Disbursements	<u>108,230</u>	<u>(146,657)</u>	<u>0</u>	<u>111</u>	<u>(38,316)</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		9,500			9,500
Transfers-Out	(9,500)				(9,500)
Other Sources		991			991
	<u>(9,500)</u>	<u>10,491</u>	<u>0</u>	<u>0</u>	<u>991</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	98,730	(136,166)	0	111	(37,325)
Fund Cash Balances, January 1	<u>338,797</u>	<u>1,496,709</u>		<u>1,223</u>	<u>1,836,729</u>
Fund Cash Balances, December 31	<u>\$437,527</u>	<u>\$1,360,543</u>	<u>\$0</u>	<u>\$1,334</u>	<u>\$1,799,404</u>
Reserve for Encumbrances, December 31	<u>\$1,579</u>	<u>\$1,291</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,870</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 AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Local Taxes	\$63,843	\$420,470	\$0	\$0	\$484,313
Intergovernmental	137,479	128,126	58,350		323,955
Earnings on Investments	64,845	25,218			90,063
Other Revenue	19,644	18,819			38,463
Total Cash Receipts	<u>285,811</u>	<u>592,633</u>	<u>58,350</u>	<u>0</u>	<u>936,794</u>
Cash Disbursements:					
Unclassified	187,450	530,942	6,638	80	725,110
Total Cash Disbursements	<u>187,450</u>	<u>530,942</u>	<u>6,638</u>	<u>80</u>	<u>725,110</u>
Total Receipts Over/(Under) Disbursements	<u>98,361</u>	<u>61,691</u>	<u>51,712</u>	<u>(80)</u>	<u>211,684</u>
Other Financing Receipts/(Disbursements):					
Transfers-In		29,735	70,665		100,400
Advances-In		40,000			40,000
Transfers-Out	(100,400)				(100,400)
Advances-Out	(40,000)				(40,000)
Total Other Financing Receipts/(Disbursements)	<u>(140,400)</u>	<u>69,735</u>	<u>70,665</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(42,039)</u>	<u>131,426</u>	<u>122,377</u>	<u>(80)</u>	<u>211,684</u>
Fund Cash Balances, January 1	<u>380,836</u>	<u>1,365,283</u>	<u>(122,377)</u>	<u>1,303</u>	<u>1,625,045</u>
Fund Cash Balances, December 31	<u>\$338,797</u>	<u>\$1,496,709</u>	<u>\$0</u>	<u>\$1,223</u>	<u>\$1,836,729</u>
Reserve for Encumbrances, December 31	<u>\$978</u>	<u>\$4,569</u>	<u>\$0</u>	<u>\$0</u>	<u>\$5,547</u>

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Monroe Township, Clermont County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Monroe Township Volunteer Fire Department to provide fire services and ambulance services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Township did not classify its disbursements in the accompanying financial statement for the year ended December 31, 2000. This is a material departure from the requirements of Ohio Administrative Code, Section 117-02-02(A) (effective January 1, 2001) and Ohio Administrative Code, Section 117-3 (effective through December 31, 2000). These Ohio Administrative Code Sections require classifying disbursements.

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

C. Cash and Investments

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio is recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund

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

Fire Fund

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

Ambulance Fund

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

3. Capital Project Fund

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

Permanent Improvement Fund

The Township used this fund for park improvement at the State Route 222 park.

4. Fiduciary Funds (Expendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery bequest funds

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 use the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$1,233,980	\$1,293,862
Certificates of deposit	1,334	1,223
Total deposits	1,235,314	1,295,085
STAR Ohio	564,090	541,644
Total investments	564,090	541,644
Total deposits and investments	\$1,799,404	\$1,836,729

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$246,030	\$303,482	\$57,452
Special Revenue	572,585	604,102	31,517
Fiduciary	100	111	11
Total	\$818,715	\$907,695	\$88,980

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$297,036	\$206,331	\$90,705
Special Revenue	766,057	741,559	24,498
Total	\$1,063,093	\$947,890	\$115,203

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$241,227	\$285,811	\$44,584
Special Revenue	520,373	622,368	101,995
Capital Projects	0	129,015	129,015
Fiduciary	50	0	(50)
Total	\$761,650	\$1,037,194	\$275,544

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$306,293	\$288,828	\$17,465
Special Revenue	930,750	535,511	395,239
Capital Projects	0	6,638	(6,638)
Fiduciary	0	80	(80)
Total	\$1,237,043	\$831,057	\$405,986

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds: Cemetery (\$3,756), Zoning (\$8,972), Permissive Motor Vehicle Tax (\$10,351) for the year ended December 31, 2001. Budgetary expenditures exceeded appropriation authority in the following funds: Gasoline (\$3,867), Cemetery (\$4,240) and Permanent Improvement (\$6,638) for the year ended December 31, 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 and 2000, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

6. RISK POOL MEMBERSHIP

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 which the General Reinsurance Corporation will reinsure.

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

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity company provides coverage in excess of \$10,000.

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

MONROE TOWNSHIP
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)

6. RISK POOL MEMBERSHIP (Continued)

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	23,703,776	22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>14,324,773</u>	<u>13,759,406</u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	5,011,131	4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>4,363,464</u>	<u>3,658,953</u>

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Clermont County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 23, 2002, which was qualified since the Township did not classify disbursements in its December 31, 2000 financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-40413-001 through 2001-40413-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 23, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-40413-001 and 2001-40413-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable conditions described above are material weaknesses.

Monroe Township
Clermont County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 23, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

April 23, 2002

**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40413-001

Material Noncompliance/Material Weakness - Uniform System of Accounting

Ohio Rev. Code, Section 507.04 requires the township clerk to keep an accurate record of the proceedings of the board of township trustees at all its meetings, and of all its accounts and transactions, including the acceptance of the bonds of township officers. The Township's fiscal officer did not maintain a receipt ledger and appropriation ledger. The Township did not classify receipt and disbursement transactions. The Township was therefore unable to monitor compliance with its appropriation resolution. The Township was also unable to classify disbursements by purpose, contrary to Ohio Rev. Code, Section 117.38.

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

1. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
2. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

Ohio Rev. Code, Section 117.38, requires that the Township prepare an annual report in accordance with forms prescribed by the Auditor of State. The report is to be certified by the proper officer of board and filed with the Auditor of State within sixty days after the close of the fiscal year. The Township did not prepare or file an annual report for the year ending December 31, 2000.

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

The receipts presented on the financial statements for 2000 are unclassified, other than amounts we could confirm such as local taxes, intergovernmental and interest. Disbursements are unclassified for the 2000 statement. The Township began keeping their records on the State's Uniform Accounting Network (UAN) in 2001. This remedied the deficiencies noted above.

* Prior to January 1, 2001, these requirements were included in Ohio Administrative Code, Section 117-3.

FINDING NUMBER 2001-40413-002

Material Noncompliance/Material Weakness-- Encumbrances and Purchase Orders

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

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

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

Of the expenditures we selected for testing, all contracts, and open purchase commitments were not certified by the Clerk.

The Township did not use purchase orders during 2000 to control disbursements. As a result, funds were not properly encumbered prior to purchases being made.

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

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

Furthermore, Ohio Rev. Code, Section 5705.36, requires the fiscal officer to certify to the County Auditor on or about January 1 the amount available for expenditures in each fund in the budget, with year-end balances. Due to not certifying all year-end commitments, incorrect amounts were certified to the County Auditor for January 1, 2001 and 2000. We performed a review of commitments existing at each year end and have reflected these outstanding commitments as reserve for encumbrances on the financial statements.

FINDING NUMBER 2001-40413-003

Material Noncompliance - Expenditures Exceed Appropriations

Ohio Rev. Code, Section 5705.41(B), states no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2001, the following funds had expenditures which exceeded appropriations:

Fund	Total Appropriations	Total Expenditures	Variance
Cemetery	\$0	\$3,756	(\$3,756)
Zoning	0	8,972	(8,972)
Permissive Motor Vehicle Tax	25,000	35,351	(10,351)

At December 31, 2000, the following funds had expenditures which exceeded appropriations:

Fund	Total Appropriations	Total Expenditures	Variance
Gasoline Tax	\$49,222	\$53,089	(\$3,867)
Cemetery	4,230	8,470	(4,240)
Permanent Improvement	0	6,638	(6,638)

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

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**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEARS ENDED DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-40413-001	Receipt ledger, cash journal, appropriation not maintained per OAC and annual report for 1999 not prepared which required reconstruction of records.	Yes - 2001 No - 2000	Finding will be repeated because it was not fully corrected for our entire audit period. Reissued as Finding 2001-40413-001.
1999-40413-002	COPS fund not established.	Yes	Finding no longer valid due to all monies being spent.
1999-40413-003	Permanent improvement fund had negative balance at the end of 1999 and 1998	Yes	
1999-40413-004	Expenditures exceeded Appropriations	No	Will repeat citation for applicable funds. Reissued as Finding 2001-40413-003.
1999-40413-005	Purchase orders not properly used	No	Will repeat revised finding. Purchase orders used in 2001, but were not signed and approved. Reissued as Finding 2001-40413-002.
1999-40413-006	Accurate listing of receipts and disbursements not maintained per ORC 507.07.	Yes	
1999-40413-007	Township should assess if they want to continue using UAN	Yes	Township fully implemented the UAN system in 2001.
1999-40413-008	Monthly reconciliations should be performed	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

MONROE TOWNSHIP

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 4, 2002**