MONROE TOWNSHIP
CLERMONT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007-2006

Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP
CLERMONT COUNTY

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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

September 24, 2009

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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, 2007 and 2006. 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, 2007 and 2006 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, 2007 and 2006, 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, 2007 and 2006, 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 September 24**,** 2009, 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

Mary Taylor, CPA
Auditor of State

September 24, 2009

MONROE TOWNSHIP
CLERMONT COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types			
	General	**Special Revenue**	**Fiduciary Funds**	**Totals (Memorandum Only)**
Cash Receipts:				
Property and Other Local Taxes	$74,494	$988,829	$0	$1,063,323
Charges for Services		11,595		11,595
Licenss, Permits, and Fees	22,865	5,735		28,600
Fines and Forfeitures		2,308		2,308
Intergovernmental	135,252	251,685		386,937
Earnings on Investments	53,218	16,824		70,042
Miscellaneous	7,728	80,294		88,022
Total Cash Receipts	293,557	1,357,270	0	1,650,827
Cash Disbursements:				
Current:				
General Government	232,133	1,072,932		1,305,065
Public Safety		150,170		150,170
Public Works		180,661		180,661
Health	1,343	8,836		10,179
Conservation - Recreation	9,083			9,083
Capital Outlay		5,000		5,000
Debt Service:				
Redemption of Principal	30,000			30,000
Interest and Other Fiscal Charges	9,874			9,874
Total Cash Disbursements	282,433	1,417,599	0	1,700,032
Total Receipts Over/(Under) Disbursements	11,124	(60,329)	0	(49,205)
Other Financing Receipts / (Disbursements):				
Advances-In	19,364	305,668		325,032
Advances-Out	(22,668)	(302,364)		(325,032)
Other Financing Uses	(101)			(101)
Total Other Financing Receipts / (Disbursements)	(3,405)	3,304	0	(101)
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	7,719	(57,025)	0	(49,306)
Fund Cash Balances, January 1	48,605	1,218,941	1,375	1,268,921
Fund Cash Balances, December 31	**$56,324**	**$1,161,916**	**$1,375**	**$1,219,615**
Reserve for Encumbrances, December 31	$630	$18,002	$0	$18,632

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			
	General	**Special Revenue**	**Fiduciary Funds**	**Totals (Memorandum Only)**
Cash Receipts:				
Property and Other Local Taxes	$82,996	$941,366	$0	$1,024,362
Licenses, Permits, and Fees		5,597		5,597
Fines and Forfeitures		2,108		2,108
Integovernmental	112,834	231,147		343,981
Earnings on Investments	25,059	8,986		34,045
Miscellaneous	30,995	246,114		277,109
Total Cash Receipts	251,884	1,435,318	0	1,687,202
Cash Disbursements:				
Current:				
General Government	238,215	842,514		1,080,729
Public Safety		18,639		18,639
Public Works		230,295		230,295
Health		168,273		168,273
Conservation - Recreation	30,424			30,424
Debt Service:				
Redemption of Principal	25,000			25,000
Interest and Other Fiscal Charges	10,987			10,987
Total Cash Disbursements	304,626	1,259,721	0	1,564,347
Total Receipts Over/(Under) Disbursements	(52,742)	175,597	0	122,855
Other Financing Receipts / (Disbursements):				
Advances-In		159,302		159,302
Advances-Out	(33,472)	(125,830)		(159,302)
Total Other Financing Receipts / (Disbursements)	(33,472)	33,472	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(86,214)	209,069	0	122,855
Fund Cash Balances, January 1	134,819	1,009,872	1,375	1,146,066
Fund Cash Balances, December 31	**$48,605**	**$1,218,941**	**$1,375**	**$1,268,921**
Reserve for Encumbrances, December 31	$7,812	$59,940	$0	$67,752

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

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.

The Township values certificates of deposit at cost. Money market mutual funds (including StarOhio) 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:

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.

3. Fiduciary Funds (Expendable Trust Funds)

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant Expendable Trust Funds:

Wichard Trust Fund
Phillips Trust Fund

The above funds received bequest funds for the maintenance of the cemetery plots.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end. 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 2007 and 2006 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.

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 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:

	2007	2006
Demand deposits	$548,586	$630,821
Certificates of deposit	1,479	1,428
Total deposits	550,065	632,249
STAR Ohio	669,550	636,672
Total investments	669,550	636,672
Total deposits and investments	$1,219,615	$1,268,921

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 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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$291,957	$293,557	$1,600
Special Revenue	1,354,525	1,357,270	2,745
Total	$1,646,482	$1,650,827	$4,345

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$331,396	$283,164	$48,232
Special Revenue	1,508,533	1,435,601	72,932
Total	$1,839,929	$1,718,765	$121,164

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$199,112	$251,884	$52,772
Special Revenue	1,005,629	1,435,318	429,689
Total	$1,204,741	$1,687,202	$482,461

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$275,945	$312,438	($36,493)
Special Revenue	1,300,500	1,319,661	(19,161)
Total	$1,576,445	$1,632,099	($55,654)

Contrary to Ohio law, budgetary expenditures exceeded appropriations at fiscal year 2006 year-end in certain funds.

Contrary to Ohio law, budgetary expenditures exceeded appropriations at fiscal year 2007 year-end in certain funds.

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, 2007 was as follows:

	Principal	Interest Rate
General Obligation Notes	$195,000	4.39%

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 annual principal is $25,000 plus interest. The collateral for the notes is to be a sufficient tax levied to cover principal and interest within the 10 mil limitation.

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

Year ending December 31:	General Obligation Notes
2008	$38,561
2009	37,244
2010	35,927
2011	39,610
2012	38,073
2013-2017	36,537
Total	$225,952

7. 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 2007 and 2006, 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 9.5 percent in 2007 and 9 percent in 2006 of their gross salaries. The Township contributed an amount equaling 13.85 percent in 2007 and 13.7 percent in 2006 of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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

8. Risk Management (Continued)

Risk Pool Membership

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to $250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding $250,000, up to $1,750,000 per claim and $10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to $5,000,000 per year, subject to a per-claim limit of $2,000,000 (prior to January 1, 2006) or $3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to $100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding $100,000 up to $500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

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.

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

8. Risk Management (Continued)

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, 2007 and 2006 (the latest information available):

	2007	2006
Assets	$43,210,703	$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	$29,852,866	$29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately $12.5 million and $11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $11.6 million and $10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 $18,665. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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	
2005	$24,576
2006	$22,543
2007	$17,693

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.

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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
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, 2007 and 2006, and have issued our report thereon dated September 24, 2009, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider finding 2007-003 and 2007-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe findings 2007-003 and 2007-004 described above are also material weaknesses.

We noted certain internal control matters that we reported to the Township's management in a separate letter dated September 24, 2009.

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 2007-001 through 2007-004.

We also noted note certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 24, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 24, 2009

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures that exceeded appropriations during fiscal year 2006 in the following funds:

Fund	Expenditures	Appropriations	Variance
General	$312,438	$275,945	$(36,493)
Special Revenue – Cemetery	16,890	0	(16,890)
Special Revenue – Zoning	3,772	0	(3,772)
Special Revenue – Police	123,356	102,000	(21,356)
Special Revenue – Enforcement & Education	17,002	10,000	(7,002)
Special Revenue – Ambulance	230,126	174,750	(55,376)

Expenditures exceeded appropriations at fiscal year-end 2007 in the following funds:

Fund	Expenditures	Appropriations	Variance
Special Revenue – Police	$130,160	$52,263	$(77,897)
Special Revenue – Fire	908,416	808,893	(99,430)
Special Revenue – Cemetery	12,336	6,000	(6,336)

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

Officials' Response:

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

FINDING NUMBER 2007-002

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.

FINDING NUMBER 2007-002
(Continued)

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.

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 seven percent of expenditures tested for 2007 and 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.

FINDING NUMBER 2007-002
(Continued)

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 2007-003

Noncompliance/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 and disbursements were not properly classified:

- Bank deposits ranging from $108 to $351 were not posted to the accounting records.
- Receipt postings to the cash journal (totaling $2,181) could not be traced to a deposit amount on the bank statement.
- Bank charges (totaling $39) and interest earnings (totaling $466) were not posted.
- Detailed reconciliation between the bank and the book were not performed accurately for each month of the audit period.
- $19,310 of wire transfers not posted to the cash journal.
- At December 31, 2006 and 2007, the Township's book balance was more than the bank balance by $1,100 and $1,780 respectively.

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.

FINDING NUMBER 2007-003
(Continued)

Failure to accurately prepare and reconcile the accounting records 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 2007-004

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 505.24*, states that (1) Trustees receiving per diem compensation: 'The trustees must resolve a method by which each trustee shall periodically notify the township clerk of the number of days spent on township services and of the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in such proportions as the kinds of services performed may require. (2) Trustees receiving compensation by annual salary: By resolution, Revised Code 505.24(C) permits trustees to receive annual salaries instead of per diem payments. Under this method, there is no "documentation of time spent" requirement. However, for salaries not paid from the general fund, effective October 19, 2004, trustees must establish administrative procedures to document the proportionate amount paid based on the kinds of services rendered. The "administrative procedures" can be either 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 performed, in a manner similar to trustees paid a per diem. If a trustee's time is not documented, then no part of his salary may be paid from these other funds.

The Township paid trustees' salaries from the Road and Bridge Fund in all of 2006, while only one month of the trustees' salaries was paid from the Road and Bridge Fund in 2007. Therefore during 2007 and 2006, $2,753 and $29,770, respectively, were posted as Trustees' salaries into the Road and Bridge Fund that should have been posted to the General Fund. The Township corrected the ledgers and financial statements while under audit. We recommend that the Township implement record keeping and controls to comply with Ohio Revised Code Section 505.24.

Officials' Response:

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

MONROE TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2005-001	ORC Section 5705.41(D), failure to properly certify the availability of funds.	No	Reissued as finding 2007-002.
2005-002	ORC Section 5705.41(B). expenditures exceeding appropriations	No	Reissued as finding 2007-001.
2005-003	ORC Section 507.07, not accurately maintaining books.	No	Reissued as finding 2007-003.

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
OCTOBER 13, 2009

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