



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MONROE TOWNSHIP
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13

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REPORT OF INDEPENDENT ACCOUNTANTS

Monroe Township
Adams County
2100 State Route 247
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2000, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

September 29, 2000

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**MONROE TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$132,682	\$132,682	\$265,364
Intergovernmental	16,412	59,870	76,282
Earnings on Investments	727	837	1,564
Other Revenue	18	21,622	21,640
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	149,839	215,011	364,850
Cash Disbursements:			
Current:			
General Government	87,826		87,826
Public Safety	10,296		10,296
Public Works		196,317	196,317
Health	28,561		28,561
Debt Service:			
Redemption of Principal	12,415		12,415
Interest and Fiscal Charges	2,980		2,980
Capital Outlay	2,457	6	2,463
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	144,535	196,323	340,858
Total Receipts Over/(Under) Disbursements	5,304	18,688	23,992
Fund Cash Balances, January 1, 1999	<hr/>	<hr/>	<hr/>
	3,755	83,678	87,433
Fund Cash Balances, December 31, 1999	<u>\$9,059</u>	<u>\$102,366</u>	<u>\$111,425</u>

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

**MONROE TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$132,495	\$116,501	\$16,005	\$265,001
Intergovernmental	15,208	66,100		81,308
Earnings on Investments	1,512	1,625		3,137
Other Revenue	15,834	9,007		24,841
Total Cash Receipts	165,049	193,233	16,005	374,287
Cash Disbursements:				
Current:				
General Government	73,359			73,359
Public Safety	53,679	1,802	54,731	110,212
Public Works		157,334		157,334
Health	33,852			33,852
Debt Service:				
Redemption of Principal	6,358	8,337	37,328	52,023
Interest and Fiscal Charges	1,339	656	3,155	5,150
Capital Outlay	5,748	20,109		25,857
Total Cash Disbursements	174,335	188,238	95,214	457,787
Total Receipts Over/(Under) Disbursements	(9,286)	4,995	(79,209)	(83,500)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			65,943	65,943
Total Other Financing Receipts/(Disbursements)			65,943	65,943
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,286)	4,995	(13,266)	(17,557)
Fund Cash Balances, January 1, 1998	13,041	78,683	13,266	104,990
Fund Cash Balances, December 31, 1998	\$3,755	\$83,678	\$0	\$87,433

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Monroe Township, Adams 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 general governmental services including road and bridge maintenance. The Township contracts with the Village of Manchester to provide fire services.

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

B. Basis of Accounting

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

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

C. Cash Deposits

The Township maintains funds in an interest-bearing checking account. All deposits are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Road and Bridge Fund - Receives property taxes and intergovernmental revenue for constructing, maintaining and repairing Township roads.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Fund

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. During the audit period, the Debt service Fund was used to retire debt at the Fifth Third Bank.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 use the encumbrance method of accounting; however, a review was performed to determine the amount of encumbrances at year-end which were not recorded. As of December 31, 1999 and 1998, there were no material unrecorded encumbrances outstanding.

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

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	<u>1999</u>	<u>1998</u>
Demand Deposits	<u>\$111,425</u>	<u>\$87,433</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

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

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,459	\$149,839	\$34,380
Special Revenue	103,542	215,011	111,469
Debt Service	31,211		(31,211)
Total	<u>\$250,212</u>	<u>\$364,850</u>	<u>\$114,638</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$119,214	\$144,535	(\$25,321)
Special Revenue	187,220	196,323	(9,103)
Debt Service	31,211		31,211
Total	<u>\$337,645</u>	<u>\$340,858</u>	<u>(\$3,213)</u>

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$146,000	\$165,049	\$19,049
Special Revenue	192,600	193,233	633
Debt Service	0	16,005	16,005
Total	<u>\$338,600</u>	<u>\$374,287</u>	<u>\$35,687</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$150,025	\$174,335	(\$24,310)
Special Revenue	184,158	188,238	(4,080)
Debt Service	42,392	95,214	(52,822)
Total	<u>\$376,575</u>	<u>\$457,787</u>	<u>(\$81,212)</u>

In 1999, expenditures exceeded appropriations in the General Fund and the Road and Bridge Fund.

In 1998, expenditures exceeded appropriations in the General Fund, Road and Bridge Fund, and the General Note Retirement Fund.

In 1998, appropriations exceeded estimated resources in the General Note Retirement Fund.

In addition, interim budgetary analysis resulted in finding that expenditures exceeded appropriations by line item in a number of funds during the audit period.

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

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 1999:

	<u>Principal</u>	<u>Interest</u>
General Obligation Note - Fire Rescue Truck	\$41,809	5.75%

The note disclosed represents a note with Fifth Third Bank of Southern Ohio. The loan was issued January 2, 1998, payable semiannually in ten variable installments.

Amortization of the above debt including interest payments of \$3,809, is as follows:

<u>Year ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$13,145	\$2,061	\$15,206
2001	13,921	1,285	15,206
2002	<u>14,743</u>	<u>463</u>	<u>15,206</u>
Total	<u>\$41,809</u>	<u>\$3,809</u>	<u>\$45,618</u>

6. RETIREMENT SYSTEMS

Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. At December 31, 1999, PERS was due \$54.37 from the Township.

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

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- General liability
- Vehicles
- Commercial property
- Inland Marine

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

Monroe Township
Adams County
2100 State Route 247
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated September 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-4040-001 through 1999-4040-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 29, 2000.

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 1999-40401-005 through 1999-40401-007.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control structure 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 September 29, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

September 29, 2000

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

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

FINDING NUMBER 1999-40401-001

Noncompliance - Prior Certification of Funds

Ohio Rev. Code, Section 5705.41 (D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

This Section also provides two “exceptions” to the above requirements:

1. If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was appropriated and free of previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of amount due upon such contract within (30) days from the receipt of such certificate, and
2. If the amount involved is less than one thousand dollars (\$1,000), the fiscal officer may authorize it to be paid without affirmation of the Board of Trustees if such disbursement is otherwise valid;

The Township did not certify funds were available before making expenditures.

FINDING NUMBER 1999-40401-002

Noncompliance - Expenditures exceeding Appropriations

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

In 1999, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$144,535	\$119,214	(\$25,321)
Road & Bridge	\$147,218	\$122,903	(\$24,315)

In 1998, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
General	\$174,335	\$150,025	(\$24,310)
Road & Bridge	\$117,658	\$98,308	(\$19,350)
General Note Retirement	\$95,214	\$42,392	(\$52,822)

In addition, interim budgetary analysis resulted in expenditures exceeded appropriations by line item in a number of funds.

**MONROE TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40401-003

Noncompliance - Appropriations exceeded Estimated Resources

Ohio Rev. Code, Section 5705.39, requires that the total appropriations from each fund should not exceed the total estimated revenue for that fund. In 1998, appropriations exceeded estimated resources by \$12,603 in the Note Retirement Fund.

FINDING NUMBER 1999-40401-004

Noncompliance - Annual Financial Reports

Ohio Rev. Code, Section 117.38, requires that cash basis entities must file an annual financial report within 60 days of the end of the fiscal year. The entity is required to advertise the filing of the report in a paper of general circulation within 30 days of filing the report. The Township Clerk did not complete the 1998 and 1999 annual financial reports until July 10, 2000, and did not advertise the filing of the reports nor did they file the reports with the Auditor of State.

FINDING NUMBER 1999-40401-005

Noncompliance/Internal Controls - Uniform System of Accounting

Ohio Rev. Code, Section 117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform system of accounting for townships which is set forth in Ohio Administrative Code Chapter 117-3. The Township did not comply in the following instances:

1. Ohio Admin. Code, Section 117-3-05, provides that each township must use purchase orders, as prescribed, for all expenditures. The Township did not use purchase orders.
2. Ohio Admin. Code, Section 117-3-08, provides that each township must use a cash journal and prescribes the manner in which it shall be used. The Township cash journal did not always have year-to-date balances as required.

Not utilizing purchase orders could result in purchases in excess of available funds for payment. We recommend the Township utilize purchase orders in the manner required by the Ohio Rev. Code before incurring liabilities for goods and services.

FINDING NUMBER 1999-40401-006

Internal Controls - Budgetary Controls

The Board of Trustees do not require the consistent preparation of budgetary financial information and do not monitor this information. The lack of such controls: 1) reduces the Township's ability to determine it's financial status at any given time; 2) may result in the delay of funding received by the County Auditor; and 3) may result in obligations being incurred without the available resources. The Board should take a more active role in the budgetary process to determine appropriate budgetary law is followed. The Board should review monthly budgetary financial reports after they are completed to help determine the reports are complete and correct.

**MONROE TOWNSHIP
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDING NUMBER 1999-40401-007

Internal Controls - Record Keeping

The Township Clerk has an obligation to post transactions in a timely manner, perform monthly bank reconciliations, and submit financial reports to Township management and the Auditor of State in a timely manner.

The records and financial reports of the Township were not maintained in a timely manner. The Clerk of Monroe Township, was contacted on February 4, 2000, to begin the audit for the Township for the years ending December 31, 1999 and 1998. At that time, we were told the records were not posted in entirety for the audit period, bank reconciliations had not been performed for all months, and annual financial reports were not completed or filed for 1999 and 1998. On March 20, 2000, the Office of the Auditor of State issued a letter giving the Clerk 90 days to have the records completed and ready for an audit. We contacted the Clerk at the end of the 90 days and the Clerk stated he wasn't finished with posting. On July 12, 2000, the Clerk brought the records in for audit.

As a result of untimely record keeping, the Trustees did not have access to accurate fund balances to be used in management decisions. Also, untimely record keeping and a lack of account balances and financial reports could have resulted in errors going undetected for extended periods of time and insufficient funds to meet Township obligations.

We recommend that the Clerk keep records posted in a timely manner, perform monthly bank reconciliations, and complete and submit the annual financial reports to the Auditor of State. We also recommend that the Township Trustees play a more active part in determining that Township transactions are properly posted and reconciled on a monthly basis, and that the annual reports are completed and filed in a timely manner as required by Ohio Rev. Code, Section 117.38.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MONROE TOWNSHIP

ADAMS 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 14, 2000**