



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
Cincinnati, Ohio 45157

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 a February 2, 2005 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 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

January 12, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Clermont County
2828 State Route 222
New Richmond, Ohio 45157

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, 2005 and 2004. 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements.

The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, 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 of Monroe Township, Clermont County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. 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 January 12, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

January 12, 2007

**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, 2005**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$67,196	\$890,413	\$0	\$957,609
Intergovernmental	165,480	296,243		461,723
Charges for Services		25,064		25,064
Licenses, Permits, and Fees	20,017	9,473		29,490
Fines, Forfeitures, and Penalties		4,634		4,634
Earnings on Investments	17,268	6,715		23,983
Other Revenue	11,728	6,807		18,535
	<u>281,689</u>	<u>1,239,349</u>	<u>0</u>	<u>1,521,038</u>
Cash Disbursements:				
Current:				
General Government	215,621	1,268,818		1,484,439
Public Safety		133,975		133,975
Public Works	31,608	259,231		290,839
Health	8,339	39,410		47,749
Conservation - Recreation	6,500			6,500
Debt Service:				
Redemption of Principal	25,000			25,000
Interest and Fiscal Charges	12,073			12,073
	<u>299,141</u>	<u>1,701,434</u>	<u>0</u>	<u>2,000,575</u>
Total Receipts Over/(Under) Disbursements	<u>(17,452)</u>	<u>(462,085)</u>	<u>0</u>	<u>(479,537)</u>
Other Financing Receipts and (Disbursements):				
Advances-In		58,650		58,650
Advances-Out	(28,629)	(30,021)		(58,650)
Other Sources	1,875			1,875
	<u>(26,754)</u>	<u>28,629</u>	<u>0</u>	<u>1,875</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(44,206)	(433,456)	0	(477,662)
Fund Cash Balances, January 1	179,025	1,443,328	1,375	1,623,728
Fund Cash Balances, December 31	<u>\$134,819</u>	<u>\$1,009,872</u>	<u>\$1,375</u>	<u>\$1,146,066</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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$75,893	\$911,968	\$0	\$987,861
Intergovernmental	118,350	253,349		371,699
Charges for Services		7,012		7,012
Licenses, Permits, and Fees	16,258	7,210		23,468
Fines, Forfeitures, and Penalties		6,383		6,383
Earnings on Investments	8,466	5,348		13,814
Other Revenue	3,616	15,368		18,984
	<u>222,583</u>	<u>1,206,638</u>	<u>0</u>	<u>1,429,221</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	210,226	833,525		1,043,751
Public Safety		105,562		105,562
Public Works	30,208	319,816		350,024
Health	10,177	56,127		66,304
Conservation - Recreation	17,947			17,947
Debt Service:				
Redemption of Principal	25,000			25,000
Interest and Fiscal Charges	4,207			4,207
Capital Outlay	291,754			291,754
	<u>589,519</u>	<u>1,315,030</u>	<u>0</u>	<u>1,904,549</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(366,936)</u>	<u>(108,392)</u>	<u>0</u>	<u>(475,328)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	300,000			300,000
Advances-In		161,962		161,962
Advances-Out		(161,962)		(161,962)
Other Sources	5,865			5,865
	<u>305,865</u>	<u>0</u>	<u>0</u>	<u>305,865</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(61,071)</u>	<u>(108,392)</u>	<u>0</u>	<u>(169,463)</u>
Fund Cash Balances, January 1	<u>240,096</u>	<u>1,551,720</u>	<u>1,375</u>	<u>1,793,191</u>
Fund Cash Balances, December 31	<u>\$179,025</u>	<u>\$1,443,328</u>	<u>\$1,375</u>	<u>\$1,623,728</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, 2005 AND 2004**

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. Basis of Accounting

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

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

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or disbursements 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police Fund - This fund receives tax levy monies to contract for police protection services rendered to Township residents.

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 two 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.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. However, the Township had no material encumbrances outstanding at December 31, 2005 and 2004.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand deposits	\$538,227	\$1,034,246
Certificates of deposit	1,428	1,375
Total deposits	539,655	1,035,621
STAR Ohio	606,411	588,107
Total investments	606,411	588,107
Total deposits and investments	\$1,146,066	\$1,623,728

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, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$202,347	\$283,564	\$81,217
Special Revenue	1,175,164	1,297,999	122,835
Total	\$1,377,511	\$1,581,563	\$204,052

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,133	\$327,770	(\$35,637)
Special Revenue	1,370,792	1,731,455	(360,663)
Total	\$1,662,925	\$2,059,225	(\$396,300)

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,046	\$528,448	\$309,402
Special Revenue	1,181,753	1,368,600	186,847
Total	\$1,400,799	\$1,897,048	\$496,249

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$290,344	\$589,519	(\$299,175)
Special Revenue	1,335,741	1,476,992	(141,251)
Total	\$1,626,085	\$2,066,511	(\$440,426)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$35,637, the MVL fund by \$22,271, the Zoning fund by \$102, the Fire fund by \$136,017 Life Squad fund by \$24,158, and the Special Levy fund by \$261,458 for the year ended December 31, 2005; the General fund by \$299,175, the Gasoline fund by \$5,059, The Cemetery fund by \$5,895 the Road and Bridge by \$13,163, the Zoning fund by \$102, the Fire fund by \$267,647, and the Life Squad by \$7,622 for the year ended December 31, 2004.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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, 2005 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$250,000	4.5%

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 payment 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 mill limitation.

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

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. DEBT (Continued)

Year ending December 31:	General Obligation Notes
2006	\$35,975
2007	39,878
2008	38,561
2009	37,244
2010	35,927
2011-2013	114,219
Total	\$301,804

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, 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 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

If losses exhaust OTARMA'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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. RISK MANAGEMENT (Continued)

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$49,362.

8. COMPLIANCE

The Township did not maintain accurate financial records and statements as required by Ohio law.

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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
New Richmond, Ohio 45157

To the 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, 2005 and 2004, and have issued our report thereon dated January 12, 2007, 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 that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2005-003 listed above to be a material weakness. In a separate letter to the Township's management dated January 12, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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* as items 2005-001 through 2005-003. In a separate letter to the Township's management dated January 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the Board of Trustees and management. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 12, 2007

MONROE TOWNSHIP
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

Material Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

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.

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 eleven percent of the 2005 and eleven percent of the 2004 vouchers reviewed and neither of the two exceptions provided for above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001
 (Continued)**

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursements 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 Clerk certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Clerk'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 Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk 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 2005-002

Material Noncompliance/ Reportable Condition

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been appropriated as provided in such chapter. At December 31, 2005 and 2004 the following funds had disbursements plus encumbrances which exceeded appropriations:

2005

Fund	Appropriations	Expenditures	Variance
General Fund	\$292,133	\$327,770	\$(35,637)
MVL Fund	12,250	34,521	(22,271)
Zoning Fund	0	102	(102)
Fire Fund	694,750	830,767	(136,017)
Life Squad Fund	201,750	225,908	(24,158)
Special Levy Fund	0	261,458	(261,458)

2004

Fund	Appropriations	Expenditures	Variance
General Fund	\$290,344	\$589,519	\$(299,175)
Gasoline Fund	25,000	30,059	(5,059)
Road & Bridge	260,096	279,259	(13,163)
Fire Fund	406,395	674,042	(267,647)
Cemetery Fund	0	5,895	(5,895)
Zoning Fund	0	102	(102)
Life Squad	200,000	207,622	(7,622)

**FINDING NUMBER 2005-002
(Continued)**

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.

Officials' Response

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

FINDING NUMBER 2005-003

Material Noncompliance/Material Weakness

Ohio Rev. Code, Section 507.07, requires the Township Clerk 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:

- Rollback, Homestead was posted to taxes instead of intergovernmental in 2005.
- Patient transferring fee from Medicount was posted to taxes instead of Other/Miscellaneous in the Life Squad Fund in 2005.
- FEMA monies were posted to taxes instead of intergovernmental in 2005 and were not posted to a separate fund.
- Real Estate taxes were improperly posted as Other/Miscellaneous in the Special Levy Revenue Fund.
- Permit fees in one instance in 2004 were posted to taxes instead of fees in the Police Dept. fund instead of the Zoning Fund.
- Proceeds of the land acquisition note in the amount of \$300,000 and the corresponding purchase of land for \$291,754 were not posted to the books.
- Principal and interest payments were posted to General Government expenditures rather than as principal and interest payments.
- Detailed reconciliation between the bank and the book were not performed for each month of the audit period.
- As of December 31, 2005, there were \$9,332.12 in outstanding checks which were dated prior to December 31, 2004

FINDING NUMBER 2005-003
(Continued)

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

Failure to accurately prepare and reconcile the accounting records 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 Clerk 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 Clerk 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.

**MONROE TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Availability of funds was not certified for certain commitments.	No	Reissued as Finding Number 2005-001
2003-002	Expenditures in excess of appropriations.	No	Reissued as Finding Number 2005-002
2003-003	Receipts and disbursements were not properly classified by Township	No	Reissued as Finding Number 2005-003



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
FEBRUARY 13, 2007**