



Mary Taylor, CPA
Auditor of State

**MONROE TOWNSHIP
MIAMI COUNTY**

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Mary Taylor, CPA
Auditor of State

Monroe Township
Miami County
4 East Main Street
Tipp City, Ohio 45371

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 township 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

October 16, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Miami County
4 East Main Street
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Miami County, (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. 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 requires 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 of Monroe Township, Miami 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 October 16, 2008, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 16, 2008

**MONROE TOWNSHIP
MIAMI COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$305,006	\$353,286		\$658,292
Licenses, Permits, and Fees		39,900		39,900
Fines and Forfeitures	6,657			6,657
Intergovernmental	152,654	206,301		358,955
Special Assessments		19,297		19,297
Earnings on Investments	33,489	492	\$591	34,572
Miscellaneous	81,370	88,588		169,958
Total Cash Receipts	<u>579,176</u>	<u>707,864</u>	<u>591</u>	<u>1,287,631</u>
Cash Disbursements:				
Current:				
General Government	514,914			514,914
Public Safety		79,003		79,003
Public Works	53,430	328,727		382,157
Health	4,283	125,615	591	130,489
Conservation - Recreation	4,999	133,948		138,947
Capital Outlay		18,241		18,241
Total Cash Disbursements	<u>577,626</u>	<u>685,534</u>	<u>591</u>	<u>1,263,751</u>
Total Receipts Over/(Under) Disbursements	<u>1,550</u>	<u>22,330</u>		<u>23,880</u>
Fund Cash Balances, January 1	<u>264,129</u>	<u>291,723</u>	<u>13,500</u>	<u>569,352</u>
Fund Cash Balances, December 31	<u>\$265,679</u>	<u>\$314,053</u>	<u>\$13,500</u>	<u>\$593,232</u>

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

**MONROE TOWNSHIP
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts:				
Property and Other Local Taxes	\$309,328	\$374,242		\$683,570
Licenses, Permits, and Fees		34,250		34,250
Intergovernmental	132,235	184,394		316,629
Special Assessments		19,300		19,300
Earnings on Investments	27,241	838	\$218	28,297
Miscellaneous	77,983	51,886		129,869
Total Cash Receipts	<u>546,787</u>	<u>664,910</u>	<u>218</u>	<u>1,211,915</u>
Cash Disbursements:				
Current:				
General Government	495,262			495,262
Public Safety		78,799		78,799
Public Works	29,304	246,725		276,029
Health	12,320	95,136	218	107,674
Conservation - Recreation	3,917	133,656		137,573
Capital Outlay		17,952		17,952
Total Cash Disbursements	<u>540,803</u>	<u>572,268</u>	<u>218</u>	<u>1,113,289</u>
Total Receipts Over/(Under) Disbursements	<u>5,984</u>	<u>92,642</u>		<u>98,626</u>
Fund Cash Balances, January 1	<u>258,145</u>	<u>199,081</u>	<u>13,500</u>	<u>470,726</u>
Fund Cash Balances, December 31	<u>\$264,129</u>	<u>\$291,723</u>	<u>\$13,500</u>	<u>\$569,352</u>

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

**MONROE TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Miami County, (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, and park operations. The Township contracts with the City of Tipp City to provide fire services and Emergency Medical Specialist, Inc., to provide ambulance services.

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

B. Accounting Basis

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

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

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

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:

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

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

**MONROE TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tipp-Monroe Community Services – This fund receives property tax money which is remitted to the Tipp-Monroe Community Services, Inc., a not for profit organization exempt from federal income taxes under section 501(3)(C) of the Internal Revenue Service Code. The primary objective of Tipp-Monroe Community Services, Inc., is the provision of a broad range of comprehensive education, recreational, cultural, and social service for the people of Tipp City and Monroe Township. Money collected and remitted to the Tipp-Monroe Community Services, Inc., for the years ended December 31, 2007 and 2006 was \$133,948 and \$133,656 respectively.

3. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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 reappropriated.

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.

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
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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:

	2007	2006
Demand deposits	\$579,732	\$555,852
Certificates of deposit	13,500	13,500
Total deposits	593,232	569,352

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

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	\$579,176	\$579,176	
Special Revenue	707,864	707,864	
Permanent	591	591	
Total	\$1,287,631	\$1,287,631	\$0

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$726,000	\$577,626	\$148,374
Special Revenue	842,947	685,534	157,413
Permanent	591	591	
Total	\$1,569,538	\$1,263,751	\$305,787

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$546,787	\$546,787	
Special Revenue	664,910	664,910	
Permanent	218	218	
Total	\$1,211,915	\$1,211,915	\$0

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$733,000	\$540,803	\$192,197
Special Revenue	794,656	572,268	222,388
Permanent	218	218	
Total	\$1,527,874	\$1,113,289	\$414,585

**MONROE TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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
2004 Fire Truck Lease Purchase	\$126,934	4.60%

The Township entered into a lease purchase agreement to finance the purchase of a new fire truck. The Township's taxing authority collateralized the lease.

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

Year ending December 31:	2004 Fire Truck Lease Purchase
2008	\$21,408
2009	21,408
2010	21,408
2011	21,408
2012	21,408
2013-2014	42,816
Total	\$149,856

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.50 and 9.00%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.70%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**MONROE TOWNSHIP
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

8. TIPP-MONROE COMMUNITY SERVICES

The Township levies a property tax for the purpose of supporting Tipp-Monroe Community Services, Inc., a not for profit organization exempt from federal income taxes under Section 501 (3) (C) of the Internal Revenue Service Code. The primary objective of Tipp Monroe Community Services, Inc., is the provision of a broad range of comprehensive education, recreational, cultural, and social service for the people of Tipp City and Monroe Township. Further information regarding this organization can be obtained from Tipp-Monroe Services, Inc., 3 East Main Street, Tipp City, Ohio 45371, Phone (937) 667-8631, e-mail: tmcs@tmcomservices.org Ruth Safreed, President, Board of Trustees.

The amount collected during 2007 and 2006 on behalf of Tipp-Monroe Community Services, Inc., was \$133,948 and \$133,656 respectively. These amounts are reported as taxes in the Special Revenue funds. The payments are included as conservation-recreation.

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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
Miami County
4 East Main Street
Tipp City, Ohio 45371

To the Board of Trustees:

We have audited the financial statements of the Monroe Township, Miami County, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 16, 2008, 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 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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

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.

**Internal Control over Financial Reporting
(Continued)**

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. However, of the significant deficiencies described above, we believe finding number 2007-001 is also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated October 16, 2008.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 16, 2008.

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 the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 16, 2008

MONROE TOWNSHIP
MIAMI COUNTY

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

SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS

Personal Property Reimbursement

House Bill 66 phased out the tax on the tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on the property each year. At the same time, the bill replaces the revenue lost due to phasing out the tax. In the first five years, school districts and local governments are reimbursed fully for lost revenue; in the following seven years, the reimbursements are phased out.

The Township received personal property tax reimbursement during fiscal years 2006 and 2007. Since the reimbursements were in lieu of taxes, they should have been recorded as intergovernmental revenues. The Township posted \$18,077 and \$19,969 of these reimbursement revenues during 2006 and 2007 respectively as property taxes in the General Fund. Similarly \$17,055 and \$1,890 in reimbursement revenues was posted as taxes in the Special Revenue funds during the same period. Also, during 2007 \$6,657 in personal property tax reimbursement in the General Fund was posted as fines and forfeitures, \$2,688 in Special Revenue fund reimbursements was posted as other revenue, \$2,445 in Special Revenue fund reimbursements was posted as proceeds of bonds and \$16,640 in Special Revenue fund reimbursements was posted as Transfers-In. The Township agreed to adjust the accompanying financial statements for the errors noted above. During 2007 the Township created new revenue line items to account for the personal property taxes. However, instead of rolling up to intergovernmental receipts the new line items rolled up to various line items as noted above.

Policies and procedures should be developed and implemented to verify that all receipts are posted and rolls up to correct line items on the financial statements. Failure to do so could result in material misstatements on the Township's financial statements.

Officials' Response: *Account category has been changed to properly classify the revenues.*

FINDING NUMBER 2007-002

SIGNIFICANT DEFICIENCY

Debt Service Payments

The Township made the following debt service payments during the audit period:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$14,393	\$7,015	\$21,408
2007	\$15,061	\$6,347	\$21,408

To enhance the understanding of the financial statement user, these payments should have been separately reported as Debt Service: Redemption of Principal, and Interest and Fiscal Charges. Policies and procedures should be developed and implemented to verify that all debt service payments are posted to the correct line item on the financial statement. Failure to do so could result in material omissions on the Township's financial statements that could impair the judgment of the financial statement users.

Officials' Response: *Account category has been changed to properly classify the expenditures.*



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

MIAMI 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 13, 2008**