



**Auditor of State
Betty Montgomery**

MONROE TOWNSHIP
ADAMS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	19

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**Auditor of State
Betty Montgomery**

Monroe Township
Adams County
2416 State Route 247
Manchester, Ohio 45144

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 6, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Adams County
2416 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, 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.

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Monroe Township
Adams County
Independent Accountants' Report

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year 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 and reserves for encumbrances of Monroe Township, Adams County, Ohio 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 years 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 December 6, 2006, 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.



Betty Montgomery
Auditor of State

December 6, 2006

**MONROE TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Local Taxes	\$62,031	\$185,115	\$247,146
Intergovernmental	77,771	170,015	247,786
Earnings on Investments	650	0	650
Other Revenue	763	315	1,078
Total Cash Receipts	141,215	355,445	496,660
Cash Disbursements:			
Current:			
General Government	72,568	0	72,568
Public Safety	0	38,615	38,615
Public Works	0	225,170	225,170
Health	15,723	0	15,723
Debt Service:			
Redemption of Principal	0	22,988	22,988
Interest and Fiscal Charges	0	2,148	2,148
Capital Outlay	9,000	25,565	34,565
Total Cash Disbursements	97,291	314,486	411,777
Total Receipts Over Disbursements	43,924	40,959	84,883
Other Financing Receipts and (Disbursements):			
Advances-In	0	1,050	1,050
Advances-Out	0	(1,050)	(1,050)
Other Sources	0	673	673
Total Other Financing Receipts/(Disbursements)	0	673	673
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	43,924	41,632	85,556
Fund Cash Balances, January 1	(4,180)	155,000	150,820
Fund Cash Balances, December 31	\$39,744	\$196,632	\$236,376
Reserve for Encumbrances, December 31	\$1,442	\$565	\$2,007

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

**MONROE TOWNSHIP
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$84,507	\$84,527	\$169,034
Intergovernmental	99,482	152,337	251,819
Earnings on Investments	14	0	14
Other Revenue	1,080	0	1,080
	<u>185,083</u>	<u>236,864</u>	<u>421,947</u>
Cash Disbursements:			
Current:			
General Government	116,884	0	116,884
Public Safety	21,307	0	21,307
Public Works	0	162,112	162,112
Health	16,909	0	16,909
Debt Service:			
Redemption of Principal	0	18,396	18,396
Interest and Fiscal Charges	0	1,244	1,244
Capital Outlay	11,130	61,136	72,266
	<u>166,230</u>	<u>242,888</u>	<u>409,118</u>
Total Receipts Over/(Under) Disbursements	<u>18,853</u>	<u>(6,024)</u>	<u>12,829</u>
Other Financing Receipts:			
Other Proceeds from Sale of Public Debt	0	47,975	47,975
Other Sources	3,543	0	3,543
	<u>3,543</u>	<u>47,975</u>	<u>51,518</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	22,396	41,951	64,347
Fund Cash Balances, January 1	<u>(26,576)</u>	<u>113,049</u>	<u>86,473</u>
Fund Cash Balances, December 31	<u>(\$4,180)</u>	<u>\$155,000</u>	<u>\$150,820</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$1,101</u>	<u>\$1,101</u>

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

**MONROE TOWNSHIP
ADAMS 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, Adams 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 and fire protection. The Township contracts with the Manchester Township to provide ambulance services. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting 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 Deposits

The Township funds are deposited in an interest-bearing checking account. All deposits are valued 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 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.

Fire Fund – This fund receives tax money to pay for maintenance and repair of fire department equipment and buildings, purchase of equipment, and payment to volunteer firefighters.

**MONROE TOWNSHIP
ADAMS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

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.

2. EQUITY IN POOLED CASH DEPOSITS

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:

	<u>2005</u>	<u>2004</u>
Demand deposits	<u>\$236,376</u>	<u>\$150,820</u>

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

**MONROE TOWNSHIP
ADAMS COUNTY**

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

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	\$143,200	\$141,215	(\$1,985)
Special Revenue	323,760	356,118	32,358
Total	\$466,960	\$497,333	\$30,373

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$259,975	\$98,733	\$161,242
Special Revenue	274,542	315,051	(40,509)
Total	\$534,517	\$413,784	\$120,733

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,039	\$188,626	\$40,587
Special Revenue	234,004	284,839	50,835
Total	\$382,043	\$473,465	\$91,422

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,461	\$166,230	(\$28,769)
Special Revenue	238,537	243,989	(5,452)
Total	\$375,998	\$410,219	(\$34,221)

Expenditures exceeded appropriations by \$13,251 in the Road and Bridge Fund and \$49,299 in the Fire Fund in 2005 and by \$28,769 in the General Fund and \$24,057 in the Road and Bridge Fund in 2004. Also, appropriations exceeded estimated receipts by \$113,547 in the General Fund in 2005 and by \$15,998 in the General Fund and \$2,893 in the Motor Vehicle License Tax Fund in 2004.

Contrary to Ohio Revised Code Section 5705.10, the Township had a negative fund balance in the General Fund at December 31, 2004 of \$4,180.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not obtain prior certification of the Fiscal Officer for all purchases.

**MONROE TOWNSHIP
ADAMS COUNTY**

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

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.

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, 2005 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$162,659	0%
General Obligation Notes	34,879	5.10%
Total	\$197,538	

The Township was awarded an interest free loan from the Ohio Public Works Commission in the amount of \$212,164 on September 15, 2001 and received the loan proceeds on September 16, 2002. The loan will be repaid for a period of fifteen years in the annual amount of \$14,144. The loan was for the purpose of restructuring of Brush Creek Road Phase One.

On June 1, 2004, the Township obtained a loan in the amount of \$47,975 from Fifth Third Bank for the purpose of purchasing a truck for the road maintenance crew. The loan was issued for a five year period with final maturity during fiscal year 2009. The loan will be retired from the Gas Tax and Road and Bridge Funds.

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

	Ohio Public Works Commission	General Obligation Notes
Year ending December 31:		
2006	\$7,072	\$10,992
2007	14,144	10,992
2008	14,144	10,992
2009	14,144	5,496
2010	14,144	0
2011 - 2015	70,722	0
2016 - 2017	28,289	0
Total	\$162,659	\$38,472

**MONROE TOWNSHIP
ADAMS COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's officials and employees (excluding volunteer firefighters) belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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, 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.

All volunteer fire department employees began contributing to Social Security in 2005. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participant's gross salaries 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.

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.

**MONROE TOWNSHIP
ADAMS COUNTY**

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

7. RISK MANAGEMENT (Continued)

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:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
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	(1,406,031)	(543,176)
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 \$13,858 in 2004 and \$13,852 in 2005.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Monroe Township
Adams County
2416 State Route 247
Manchester, Ohio 45144

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Adams County, Ohio (the Township), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated December 6, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Government 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 Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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. However, we do not believe the reportable condition described above is a material weaknesses. In a separate letter to the Township's management dated December 6, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001 through 2005-004. In a separate letter to the Township's management dated December 6, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

December 6, 2006

**MONROE TOWNSHIP
ADAMS 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

Noncompliance Citation / Reportable Condition

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

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.

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

Contrary to the above requirement, the availability of funds was not certified for 85% (85% from 2004 and 84% from 2005) of the expenditures tested. Additionally, 17 of the 30 transactions tested from 2004 (57%) did not have purchase orders. It was noted that the violations were before the UAN system was utilized. After the Township began using the UAN system on September 1, 2004, purchase orders were used regularly. We recommend expenditures receive prior certification, however in instances where this is not practical we recommend then and now certificates over \$3,000 be approved by resolution by legislative authority. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances. As a result of not properly using purchase orders, material unrecorded liabilities in the amount of \$498 in the Gas Tax Fund and \$603 in the Road and Bridge Fund in 2004, and \$1,442 in the General Fund and \$520 in the Fire Fund in 2005 were noted. The township made the adjustments to include the outstanding encumbrances on the financial statements.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements.

The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2005-002

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. Expenditures exceeded appropriations in the following funds:

Year	Fund	Appropriations	Expenditures	Variance
2005	Road & Bridge	\$ 142,538	\$ 155,789	\$ (13,251)
2005	Fire	-	49,299	(49,299)
2004	General	137,461	166,230	(28,769)
2004	Road & Bridge	136,083	160,140	(24,057)

The Clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2005-003

Material Noncompliance

Ohio Rev. Code, Section 5705.39, prohibits appropriations in excess of estimated resources. This section further provides that no appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township did not obtain this certificate from the county auditor and appropriated in excess of estimated resources in the following funds:

<u>Year</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
2005	General	\$ 146,428	\$ 259,975	\$ (113,547)
2004	General	121,463	137,461	(15,998)
2004	Motor Vehicle License Tax	10,189	13,082	(2,893)

This resulted from the Township not appropriately monitoring budgetary status and could result in overspending of Township Funds. We recommend the Township monitor appropriations as compared to estimated resources and obtain the required certificate from the county auditor.

FINDING NUMBER 2005-004

Material Noncompliance

Ohio Rev. Code, Section 5705.10, provides that monies paid into any fund shall be used only for the purpose for which such fund is established. The General Fund had deficit fund balance of \$4,180 at December 31, 2004. However, at December 31, 2005, no negative fund balances existed. The deficit balances indicate that cash from other funds have been used to pay the obligations of these funds.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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**MONROE TOWNSHIP
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

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	ORC 5705.41(D) – the availability of funds was not certified for certain commitments	No	Partially corrected. See finding 2005-001
2003-002	ORC 5705.41(B) – expenditures exceeded appropriations	No	Not corrected. See finding 2005-002
2003-003	ORC 117.38 – filing of annual financial report within 60 days of fiscal year end	Yes	
2003-004	OAC 117-2-02(A) – accounting system and records were not sufficient	Yes	
2003-005	ORC 5705.10 – negative fund balances	No	Not corrected. See finding 2005-004
2003-006	Budgetary financial information was not presented to the Board of Trustees	Yes.	
2003-007	Records were not posted in a timely manner, bank reconciliations were not complete and annual financial reports were not timely remitted	Yes	
2003-008	26 US Code Section 3403 – federal income tax and Medicare withholdings are to be remitted. ORC 5747.07(B)(4) – state income taxes are to be remitted.	Yes.	
2003-009	ORC 5705.39 – appropriations exceeded estimated resources	No.	Not corrected. See finding 2005-003
2003-010	ORC 5705.09(F) – a special fund should be established for the Issue II monies received	Yes.	Finding no longer valid. No Issue II monies received during the audit period.



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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
JANUARY 4, 2007**