

MONROE TOWNSHIP

ADAMS COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Monroe Township
956 Gift Ridge Road
Manchester, Ohio 45155

We have reviewed the *Independent Auditor's Report* of Monroe Township, Adams County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Monroe Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 18, 2008

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**MONROE TOWNSHIP
ADAMS COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Monroe Township (the Township), Adams County, Ohio, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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, 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 as of the 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 aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 July 31, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

July 31, 2008

**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, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 70,336	\$ 213,366	\$ 283,702
Intergovernmental	65,640	137,006	202,646
Earnings on Investments	2,704	-	2,704
Total Cash Receipts	<u>138,680</u>	<u>350,372</u>	<u>489,052</u>
<u>Cash Disbursements:</u>			
General Government	85,198	6,622	91,820
Public Safety	16,071	46,291	62,362
Public Works	-	189,545	189,545
Health	569	-	569
Conservation/Recreation	-	6,051	6,051
Capital Outlay	66,665	55,516	122,181
Other	-	1,949	1,949
Debt Service:			
Principal	-	28,346	28,346
Interest	-	2,165	2,165
Total Cash Disbursements	<u>168,503</u>	<u>336,485</u>	<u>504,988</u>
Total Receipts Over (Under) Disbursements	<u>(29,823)</u>	<u>13,887</u>	<u>(15,936)</u>
<u>Other Financing Receipts/(Disbursements):</u>			
Debt Proceeds	<u>26,443</u>	<u>-</u>	<u>26,443</u>
Total Other Financing Receipts (Disbursements)	<u>26,443</u>	<u>-</u>	<u>26,443</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,380)	13,887	10,507
Fund Cash Balances, January 1	<u>57,430</u>	<u>259,681</u>	<u>317,111</u>
Fund Cash Balances, December 31	<u>\$ 54,050</u>	<u>\$ 273,568</u>	<u>\$ 327,618</u>

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, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Cash Receipts:</u>			
Property and Other Taxes	\$ 112,931	\$ 270,062	\$ 382,993
Intergovernmental	14,537	93,249	107,786
Earnings on Investments	3,302	-	3,302
Miscellaneous	-	140	140
Total Cash Receipts	<u>130,770</u>	<u>363,451</u>	<u>494,221</u>
<u>Cash Disbursements:</u>			
General Government	113,084	4,813	117,897
Public Safety	-	46,994	46,994
Public Works	-	194,717	194,717
Health	-	-	-
Capital Outlay	-	28,289	28,289
Other	-	454	454
Debt Service:			
Principal	-	23,451	23,451
Interest	-	1,684	1,684
Total Cash Disbursements	<u>113,084</u>	<u>300,402</u>	<u>413,486</u>
Total Receipts Over (Under) Disbursements	<u>17,686</u>	<u>63,049</u>	<u>80,735</u>
Fund Cash Balances, January 1	<u>39,744</u>	<u>196,632</u>	<u>236,376</u>
Fund Cash Balances, December 31	<u>\$ 57,430</u>	<u>\$ 259,681</u>	<u>\$ 317,111</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, 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 Monroe Township, Adams 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 and fire protection. The Township contracts with 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 basis of accounting. 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 adequately 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 money for constructing, maintaining and repairing Township streets.

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, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investment pool that 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	<u>\$ 327,618</u>	<u>\$ 317,111</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, 2007 AND 2006**

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	\$ 128,089	\$ 165,123	\$ 37,034
Special Revenue	347,308	350,372	3,064
Total	\$ 475,397	\$ 515,495	\$ 40,098

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 185,126	\$ 168,503	\$ 16,623
Special Revenue	602,737	336,485	266,252
Total	\$ 787,863	\$ 504,988	\$ 282,875

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 136,212	\$ 130,770	\$ (5,442)
Special Revenue	416,644	363,451	(53,193)
Total	\$ 552,856	\$ 494,221	\$ (58,635)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 197,112	\$ 113,084	\$ 84,028
Special Revenue	580,821	300,402	280,419
Total	\$ 777,933	\$ 413,486	\$ 364,447

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

**MONROE TOWNSHIP
ADAMS COUNTY**

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

4. PROPERTY TAX (Continued)

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, collected, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission	\$134,371	0%
General Obligation Note #1	15,777	5.10%
General Obligation Note #2	22,036	5.81%
Total	<u>\$172,184</u>	

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 at 0% in the annual amount of \$14,144. The loan was for the purpose of restructuring 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 at 5.10% with final maturity during fiscal year 2009. The loan will be retired from the Gas Tax and Road and Bridge Funds.

On February 12, 2007, the Township obtained a second loan from Fifth Third Bank in the amount of \$26,443 for the purpose of purchasing a tractor for the road maintenance crew. The loan will be repaid over a period of three years at an interest rate of 5.81%. 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:

Year ending December 31:	<u>Ohio Public Works Commission</u>	<u>General Obligation Note #1</u>	<u>General Obligation Note #2</u>
2008	\$14,144	\$10,991	\$9,967
2009	14,144	5,496	9,454
2010	14,144	-	4,535
2011	14,144	-	-
2012	14,144	-	-
2013-2017	49,505	-	-
	<u>\$120,225</u>	<u>\$16,487</u>	<u>\$23,956</u>

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.

**MONROE TOWNSHIP
ADAMS COUNTY**

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

6. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9 percent of their gross wages, respectively, and the Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

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 2007 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, 2007.

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage – For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage up to \$10,000,000 with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

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

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

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

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

**MONROE TOWNSHIP
ADAMS COUNTY**

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

7. RISK MANAGEMENT (Continued)

Financial Position – OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

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

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township’s share of these unpaid claims collectible in future years is approximately \$11,162. This payable includes the subsequent year’s contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Township Contributions to OTARMA for 2005, 2006, and 2007 were as follows:

2005 - \$13,852 2006 - \$14,652 2007 - \$11,874

After completing one year of membership, 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 contributions, minus the subsequent year’s budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

8. COMPLIANCE

Contrary to Ohio Rev. Code Section 5705.36, in 2006, appropriations for the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund exceeded the amount available for appropriations.. In fiscal year 2007, appropriations for the Motor Vehicle License Tax Fund and Gasoline Tax Fund exceeded the amount available for appropriations.

Contrary to Ohio Rev. Code Section 5705.39, appropriations exceeded total estimated resources in the General Fund in 2006.

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not properly certify the availability of funds prior to obligation for \$142,249 or 77% of purchases tested in 2006 and \$228,154 or 96% of purchases tested in 2007.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Monroe Township
2416 State Route 247
Manchester, Ohio 45144

We have audited the financial statements of Monroe Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprises the Township's financial statements and have issued our report thereon dated July 31, 2008 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-004, 2007-005, 2007-006, and 2007-007.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Monroe Township
Adams County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Our consideration of 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 internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002, and 2007-003.

We noted a certain noncompliance and other matters that we reported to the Township's management in a separate letter dated July 31, 2008.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
July 31, 2008

**MONROE TOWNSHIP
ADAMS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation – Ohio Rev. Code Section 5705.36

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the Township to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Township to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2006, appropriations for the General Fund, Motor Vehicle License Tax Fund, and Gasoline Tax Fund exceeded the amount available for appropriations. In fiscal year 2007, appropriations for the Motor Vehicle License Tax Fund and Gasoline Tax Fund exceeded the amount available for appropriations at the fund level.

Failure to monitor appropriations versus available resources could result in expenditures exceeding available resources and possibly result in deficit spending.

We recommend the Fiscal Officer monitor the budget versus actual reports and approve modifications if necessary. Approval of the modifications should be enacted and documented in the Township minutes.

Township Response:

The Township will appropriately follow the auditor's recommendation and monitor appropriations and available resources.

FINDING NUMBER 2007-002

Noncompliance Citation – Appropriations Exceeding Estimated Resources

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund shall not exceed the total estimated revenue.

Appropriations exceeded total estimated resources in the General Fund in 2006.

We recommend the Fiscal Officer monitor the Township's estimated resources versus appropriations. The Township should develop sound budgetary procedures as to prevent appropriations to exceed the total estimated resources as certified by the county auditor.

Township Response:

The Fiscal Officer will monitor the Township's estimated resources versus appropriations on a regular basis.

**MONROE TOWNSHIP
ADAMS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-003

Noncompliance Citation – Ohio Rev. Code Section 5705.41 (D)

Ohio Rev. Code Section 5705.41 (D) (1) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by Ohio Rev. Code Section 5705.41 (D)

(1): Then and Now Certificate: If the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the “then and now” certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Ninety-six percent (96%) or \$228,154 and seventy-seven percent (77%) or \$142,249 of the expenditures tested were not properly certified in 2007 and 2006, respectively. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

We recommend the Township implement policies to improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations.

Township Response:

Township officials will monitor the proper certifying of expenditures more closely.

FINDING NUMBER 2007-004

Significant Deficiency – Blank Checks

In 2007 and 2006, the Fiscal Officer maintained blank checks at her residence. The checks were not kept in a secure location such as a safe or locked cabinet.

Sensitive documents such as blank checks should be secured at all times. When not stored in a secured environment, blank checks may be stolen which could compromise the Township’s financial condition.

We recommend the Township adopt a safeguard policy to assure that all sensitive documents including

**MONROE TOWNSHIP
ADAMS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-004 (Continued)

blank checks are contained in secure, locked areas.

Township's Response:

The Board of Trustees will adopt a policy to assure that all sensitive documents including blank checks are contained in secure, locked areas.

FINDING NUMBER 2007-005

Significant Deficiency – Misclassification of Receipts/Disbursements

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2007 and 2006, the Township erroneously posted several receipts and disbursements to the incorrect line items. This required reclassifications to properly present the activity of the Township for both years.

We recommend the Township implement control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Township Response:

The Fiscal Officer will review the chart of accounts to determine the correct coding of receipts and disbursements.

**MONROE TOWNSHIP
ADAMS COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-006

Significant Deficiency – Check Register Discrepancies

During a test of disbursements, we noted several discrepancies between the check payee and amount listed on the check register and the cancelled check included in the bank statement. The check payee and amount listed on the check register did not agree to the payee and amount included on the bank statement and cancelled checks for thirty-three (33%) of checks written in July 2006.

The check register should accurately reflect the disbursements made on behalf of the Township.

We recommend the Fiscal Officer implement procedures to ensure the payee and amount included on the check register agree to the payee and amount included on the cancelled check and bank statement.

Township Response:

The Fiscal Officer will implement procedures to ensure the payee and amount included on the check register agrees to the payee and amount included on the cancelled check and bank statement.

FINDING NUMBER 2007-007

Significant Deficiency – Time Sheets

In 2007 and 2006, no hourly timesheets were signed by a supervisor.

Failure to sign and approve time sheets may allow for potential errors to occur in the reporting of hours worked.

The Township should develop and adopt appropriate procedures to ensure that all hourly timesheets are signed and approved by a supervisor.

Township Response:

The Township will develop and adopt appropriate procedures to ensure that all hourly timesheets are signed and approved by a supervisor.

Monroe Township
Adams County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	ORC Section – 5705.41(D)	No	Repeated as Finding 2007-003
2005-002	ORC Section – 5705.41(B)	Yes	
2005-003	ORC Section – 5705.39	No	Repeated as Finding 2007-002
2005-004	ORC Section – 5705.10	Yes	



Mary Taylor, CPA
Auditor of State

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
DECEMBER 2, 2008**