



**Auditor of State  
Betty Montgomery**



**MONROE TOWNSHIP  
ALLEN COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township  
Allen County  
4585 East Hook Waltz Road  
Columbus Grove, Ohio 45830

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Township, Allen County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Township, Allen County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Cemetery, Fire Special Levy, and Equipment Special Levy Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

September 19, 2006

**MONROE TOWNSHIP  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED**

This discussion and analysis of Monroe Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$37,666, or 18 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the fire special levy fund and equipment special levy fund, which benefited from a reduction in significant fire and rescue related expenditures.
- The Township's general receipts are primarily property taxes and intergovernmental receipts not restricted to specific programs. These receipts represent respectively 29 percent and 31 percent of the total cash received for governmental activities during the year. Property taxes and general intergovernmental receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, all activity is accounted for together as:

**Governmental Activities.** All of the Township's basic services are reported here, including fire, streets and cemeteries. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all considered to be governmental.

**Governmental Funds** – All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire Special Levy Fund, and Equipment Special Levy Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis:

**(Table 1)**  
**Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Cash and Cash Equivalents	\$252,173	\$214,507
<b>Net Assets</b>		
Restricted for:		
Non-expendable	930	930
Other Purposes	183,516	159,611
Unrestricted	<u>67,727</u>	<u>53,966</u>
Total Net Assets	<u><u>\$252,173</u></u>	<u><u>\$214,507</u></u>

As mentioned previously, net assets of governmental activities increased \$37,666 or 18 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- There were no significant fire or rescue equipment purchases needed during the year.
- At the beginning of the year, there were two full-time employees. One of the full-time employees retired during the year and was not replaced.
- A truck and mower were sold at an auction for \$18,331.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)**  
**Changes in Net Assets**

	<b>Governmental Activities 2005</b>
<b>Receipts:</b>	
Program Receipts:	
Charges for Services and Sales	\$26,800
Operating Grants and Contributions	<u>91,529</u>
Total Program Receipts	<u>118,329</u>
General Receipts:	
Property and Other Local Taxes	108,084
Grants and Entitlements Not Restricted to Specific Programs	114,058
Interest	1,176
Sale of Fixed Assets	18,331
Miscellaneous	<u>13,366</u>
Total General Receipts	<u>255,015</u>
Total Receipts	<u><u>373,344</u></u>

(Continued)

**MONROE TOWNSHIP  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

	<b>Governmental Activities 2005</b>
<b>Disbursements:</b>	
General Government	104,546
Public Safety	35,694
Public Works	121,404
Public Health Services	20,820
Capital Outlay	53,214
Total Disbursements	335,678
Increase (Decrease) in Net Assets	37,666
Net Assets, January 1, 2005	214,507
Net Assets, December 31, 2005	\$252,173

Program receipts represent only 31 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gasoline tax money, and cemetery fees.

General receipts represent 69 percent of the Township's total receipts, and of this amount, 43 percent are local taxes. State grants and entitlements make up the majority of the balance of the Township's general receipts (45 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of council, and the fiscal officer costs, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 41 percent of general unrestricted receipts.

Public Safety is the costs of fire protection; Public Works is the road work costs; Public Health is the costs to operate the cemetery; and Capital Outlay is the cost for purchases of capital assets.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for General Government and Public Works, which account for 32 and 37 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service.

The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>
General Government	\$104,546	\$104,546
Public Safety	35,694	20,046
Public Works	121,404	29,875
Health	20,820	9,668
Capital Outlay	53,214	53,214
Total Expenses	<u>\$335,678</u>	<u>\$217,349</u>

The dependence upon property tax receipts is apparent as over 65 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$373,344 and disbursements of \$335,678. The greatest change within governmental funds occurred within the Equipment Special Levy Fund. The fund balance of the Equipment Special Levy Fund increased \$17,096 as the result of a lack of a major fire and rescue equipment purchase.

General Fund receipts were greater than disbursements by \$13,761. This came as a result of one of the full-time employees retiring during the year and the employee was not replaced. In addition, the Township sold a truck, which brought the general fund \$6,650 in additional revenue.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Actual receipts were \$26,129 greater than budgeted receipts in the General Fund. Final disbursements were budgeted at \$170,184 while actual disbursements were just \$135,236. The result is the increase in general fund balance of \$13,128 for 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does keep track of its capital assets for insurance purposes, but these assets are not reported on the financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. We reviewed our sources of revenue and determined that increases are unlikely.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David A. Ream, Clerk-Treasurer, Monroe Township, 4585 East Hook-Waltz Road, Columbus Grove, Ohio 45830

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$252,173
<b>Net Assets</b>	
Restricted for:	
Nonexpendable	930
Other Purposes	183,516
Unrestricted	67,727
Total Net Assets	<u><u>\$252,173</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities</b>				
General Government	\$104,546			(\$104,546)
Public Safety	35,694	\$15,648		(20,046)
Public Works	121,404		\$91,529	(29,875)
Health	20,820	11,152		(9,668)
Capital Outlay	53,214			(53,214)
<b>Total Governmental Activities</b>	<u>\$335,678</u>	<u>\$26,800</u>	<u>\$91,529</u>	<u>(217,349)</u>
<b>General Receipts</b>				
Property Taxes				108,084
Grants and Entitlements not Restricted to Specific Programs				114,058
Sale of Fixed Assets				18,331
Earnings on Investments				1,176
Miscellaneous				13,366
<b>Total General Receipts</b>				<u>255,015</u>
Change in Net Assets				37,666
Net Assets Beginning of Year				<u>214,507</u>
<b>Net Assets End of Year</b>				<u>\$252,173</u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Cemetery</u>	<u>Fire Special Levy</u>	<u>Equipment Special Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>								
Equity in Pooled Cash and Cash Equivalents	\$67,727	\$31,775	\$5,010	\$19,756	\$52,430	\$46,739	\$28,736	\$252,173
Total Assets	<u>67,727</u>	<u>31,775</u>	<u>5,010</u>	<u>19,756</u>	<u>52,430</u>	<u>46,739</u>	<u>28,736</u>	<u>252,173</u>
<b>Fund Balances</b>								
Reserved:								
Reserved for Encumbrances	633	11,536					4,117	16,286
Unreserved:								
Undesignated, Reported in:								
General Fund	67,094							67,094
Special Revenue Funds		20,239	5,010	19,756	52,430	46,739	23,689	167,863
Permanent Fund							930	930
<b>Total Fund Balances</b>	<u>\$67,727</u>	<u>\$31,775</u>	<u>\$5,010</u>	<u>\$19,756</u>	<u>\$52,430</u>	<u>\$46,739</u>	<u>\$28,736</u>	<u>\$252,173</u>

*See accompanying notes to the basic financial statements*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENT AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Gasoline Tax</b>	<b>Road and Bridge</b>	<b>Cemetery</b>	<b>Fire Special Levy</b>	<b>Equipment Special Levy</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Receipts</b>								
Property and Other Local Taxes	\$21,862		\$31,348		\$36,583	\$18,291		\$108,084
Charges for Services					9,000		\$6,548	15,548
Licenses, Permits and Fees				\$9,927	100			10,027
Intergovernmental	106,122	\$73,230	2,913		3,315	1,708	18,300	205,588
Earnings on Investments	997	107					71	1,175
Miscellaneous	13,366			1,225				14,591
<b>Total Receipts</b>	<b>142,347</b>	<b>73,337</b>	<b>34,261</b>	<b>11,152</b>	<b>48,998</b>	<b>19,999</b>	<b>24,919</b>	<b>355,013</b>
<b>Disbursements</b>								
Current:								
General Government	104,546							104,546
Public Safety					32,413	344	2,937	35,694
Public Works	399	63,256	35,976				21,775	121,406
Health	7,908			12,904			8	20,820
Capital Outlay	22,383	850		26,727	693	2,559		53,212
<b>Total Disbursements</b>	<b>135,236</b>	<b>64,106</b>	<b>35,976</b>	<b>39,631</b>	<b>33,106</b>	<b>2,903</b>	<b>24,720</b>	<b>335,678</b>
Excess of Receipts Over (Under) Disbursements	7,111	9,231	(1,715)	(28,479)	15,892	17,096	199	19,335
<b>Other Financing Sources (Uses)</b>								
Sale of Fixed Assets	6,650			11,681				18,331
<b>Net Change in Fund Balances</b>	<b>13,761</b>	<b>9,231</b>	<b>(1,715)</b>	<b>(16,798)</b>	<b>15,892</b>	<b>17,096</b>	<b>199</b>	<b>37,666</b>
Fund Balances Beginning of Year	53,966	22,544	6,725	36,554	36,538	29,643	28,537	214,507
<b>Fund Balances End of Year</b>	<b>\$67,727</b>	<b>\$31,775</b>	<b>\$5,010</b>	<b>\$19,756</b>	<b>\$52,430</b>	<b>\$46,739</b>	<b>\$28,736</b>	<b>\$252,173</b>

*See accompanying notes to the basic financial statements*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts</b>				
Property and Other Local Taxes	\$19,169	\$19,169	\$21,862	\$2,693
Intergovernmental	95,708	95,708	106,122	10,414
Earnings on Investments	925	925	997	72
Miscellaneous	416	416	13,366	12,950
Total Receipts	<u>116,218</u>	<u>116,218</u>	<u>142,347</u>	<u>26,129</u>
<b>Disbursements</b>				
Current:				
General Government	105,143	111,741	105,179	6,562
Public Works	10,400	10,432	399	10,033
Health	7,909	7,909	7,908	1
Capital Outlay	46,354	40,102	22,383	17,719
Total Disbursements	<u>169,806</u>	<u>170,184</u>	<u>135,869</u>	<u>34,315</u>
Excess of Receipts Over (Under) Disbursements	(53,588)	(53,966)	6,478	60,444
<b>Other Financing Sources</b>				
Sale of Fixed Assets			6,650	6,650
Net Change in Fund Balance	(53,588)	(53,966)	13,128	67,094
Fund Balance Beginning of Year	53,588	53,588	53,588	
Prior Year Encumbrances Appropriated	<u>378</u>	<u>378</u>	<u>378</u>	
Fund Balance End of Year	<u><u>\$378</u></u>	<u><u>\$0</u></u>	<u><u>\$67,094</u></u>	<u><u>\$67,094</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENT AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$54,034	\$54,034	\$73,230	\$19,196
Earnings on Investments	50	50	107	57
Total Receipts	<u>54,084</u>	<u>54,084</u>	<u>73,337</u>	<u>19,253</u>
<b>Disbursements</b>				
Current:				
Public Works	66,628	75,777	74,792	985
Capital Outlay	10,000	851	850	1
Total Disbursements	<u>76,628</u>	<u>76,628</u>	<u>75,642</u>	<u>986</u>
Net Change in Fund Balance	(22,544)	(22,544)	(2,305)	20,239
Fund Balance Beginning of Year	<u>22,544</u>	<u>22,544</u>	<u>22,544</u>	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$20,239</u></u>	<u><u>\$20,239</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENT AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
CEMETERY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Licenses, Permits, and Fees	\$7,800	\$7,800	\$9,927	\$2,127
Miscellaneous	3,500	3,500	1,225	(2,275)
Total Receipts	<u>11,300</u>	<u>11,300</u>	<u>11,152</u>	<u>(148)</u>
<b>Disbursements</b>				
Current:				
Health	18,400	18,400	12,904	5,496
Capital Outlay	33,454	33,454	26,727	6,727
Total Disbursements	<u>51,854</u>	<u>51,854</u>	<u>39,631</u>	<u>12,223</u>
Excess of Receipts Over (Under) Disbursements	(40,554)	(40,554)	(28,479)	12,075
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	<u>4,000</u>	<u>4,000</u>	<u>11,681</u>	<u>7,681</u>
Net Change in Fund Balance	(36,554)	(36,554)	(16,798)	19,756
Fund Balance Beginning of Year	<u>36,554</u>	<u>36,554</u>	<u>36,554</u>	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$19,756</u></u>	<u><u>\$19,756</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$31,900	\$31,900	\$31,348	(\$552)
Intergovernmental	3,275	3,275	2,913	(362)
Total receipts	<u>35,175</u>	<u>35,175</u>	<u>34,261</u>	<u>(914)</u>
<b>Disbursements</b>				
Current:				
Public Works	41,900	41,900	35,976	5,924
Total Disbursements	<u>41,900</u>	<u>41,900</u>	<u>35,976</u>	<u>5,924</u>
Net Change in Fund Balance	(6,725)	(6,725)	(1,715)	5,010
Fund Balance Beginning of Year	<u>6,725</u>	<u>6,725</u>	<u>6,725</u>	
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,010</u></u>	<u><u>\$5,010</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE SPECIAL LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$37,400	\$37,400	\$36,583	(\$817)
Intergovernmental	4,522	4,522	3,315	(1,207)
Licenses, Permits, and Fees		430	100	(330)
Charges for Services	9,000	9,000	9,000	
Total receipts	<u>50,922</u>	<u>51,352</u>	<u>48,998</u>	<u>(2,354)</u>
<b>Disbursements</b>				
Current:				
Public Safety	43,402	46,651	32,413	14,238
Capital Outlay	44,058	40,809	693	40,116
Total Disbursements	<u>87,460</u>	<u>87,460</u>	<u>33,106</u>	<u>54,354</u>
Excess of Receipts Over (Under) Disbursements	<u>(36,538)</u>	<u>(36,108)</u>	<u>15,892</u>	<u>52,000</u>
Net Change in Fund Balance	(36,538)	(36,108)	15,892	52,000
Fund Balance Beginning of Year	<u>36,538</u>	<u>36,538</u>	<u>36,538</u>	
Prior Year Encumbrances Appropriated				
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$430</u></u>	<u><u>\$52,430</u></u>	<u><u>\$52,000</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
EMERGENCY EQUIPMENT SPECIAL LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$16,500	\$16,500	\$18,291	\$1,791
Intergovernmental	2,100	2,100	1,708	(392)
Total receipts	<u>18,600</u>	<u>18,600</u>	<u>19,999</u>	<u>1,399</u>
<b>Disbursements</b>				
Current:				
Public Safety	2,402	2,402	344	2,058
Capital Outlay	46,142	46,142	2,559	43,583
Total Disbursements	<u>48,544</u>	<u>48,544</u>	<u>2,903</u>	<u>45,641</u>
Excess of Receipts Over (Under) Disbursements	(29,944)	(29,944)	17,096	47,040
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	<u>301</u>	<u>301</u>	<u>          </u>	<u>(301)</u>
Net Change in Fund Balance	(29,643)	(29,643)	17,096	46,739
Fund Balance Beginning of Year	<u>29,643</u>	<u>29,643</u>	<u>29,643</u>	<u>          </u>
<b>Fund Balance End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$46,739</u></u>	<u><u>\$46,739</u></u>

*See accompanying notes to the basic financial statements.*

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY**

Monroe Township, Allen County, Ohio (the Township), is a body politic and corporate established in 1850 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised of the primary government.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Village of Columbus Grove/Pleasant Township and Richland Township for fire protection and emergency medical services. Police protection is provided by the Allen County Sheriff's Department.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The Township has only governmental activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**2. Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are in the categories, governmental category.

**1. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Fire Special Levy Fund, and Equipment Special Levy Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund and Road and Bridge Fund receive money to pay for constructing, maintaining, and repairing Township roads and bridges. The Cemetery Fund receives money from the sale of cemetery lots and fees for burial openings and closings to help pay for the cost of maintaining the various Township cemeteries. The Fire Special Levy Fund and Equipment Special Levy Fund receive property tax money that is used for the maintenance, operations, and cost of emergency equipment for the Volunteer Fire Department.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively. The Township did not have investments during the audit period.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$997, which includes \$680 assigned from other funds.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Restricted Assets**

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$183,516 for special revenue funds and \$930 for the Grubb Permanent Fund.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special revenue purposes and a permanent fund. At December 31, 2005, \$38,978 was restricted by enabling legislation.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**K. Fund Balance Reserves**

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund and any major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budget basis) amounted to \$633 for the general fund and \$11,537 for the Gasoline Tax fund.

**5. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the carrying amount of the Township's deposits was \$252,173 and the bank balance was \$262,196. Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$161,266 of the Township's bank balance of \$262,196 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$2.05 per \$1,000 of assessed value. The total assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based was:

Real Property	\$32,371,040
Public Utility Property	60,040
Tangible Personal Property	8,542,810
Total Assessed Value	<u>\$40,973,890</u>

**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  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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 \$9,577.

**8. DEFINED BENEFIT PENSION PLAN**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan.

The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except members in public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in public safety contributed 9 percent.

The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions. The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$7,936, \$8,242, and \$8,064 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**9. POSTEMPLOYMENT BENEFITS**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

**MONROE TOWNSHIP  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$3,324. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



## 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  
Allen County  
4585 East Hook Waltz Road  
Columbus Grove, Ohio 45830

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Township, Allen County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 19, 2006 wherein we noted that the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We also note the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 2005-002.

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 weakness. In a separate letter to the Township's management dated September 19, 2005, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Township's management dated September 19, 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

September 19, 2006

**MONROE TOWNSHIP  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005**

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

**FINDING NUMBER 2005-001**

**FINDINGS FOR RECOVERY**

On January 19, 2004, Richard Shafer, Trustee was billed for an ambulance run that he personally received for an injury incurred at his daughter's residence. The trustee was insured through his wife's insurance plan which should have covered at least a portion of the cost of the run had a claim been filed. As of the date of this report, payment for this run in the amount of \$180 had not been received by the Township. This would constitute and an improper benefit for this official.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery is hereby rendered against Richard Shafer, Township Trustee, for money due but not collected in the amount of One Hundred Eighty Dollars (\$180.00), and in favor of the Monroe Township treasury.

**Officials' Response**

A discussion will be held with the person responsible for the billing of insurance claims and a request will be made that this claim be submitted to Medicare for payment.

**FINDING NUMBER 2005-002**

**Reportable Condition**

**Emergency Medical Service (EMS) - Billings and Collections and Monitoring Procedures**

The Township has delegated the billing and claims processing for Emergency Medical Service (EMS) runs, to two third-party administrators and a collection agency. The Township has not established procedures to determine whether these service organizations have sufficient controls in place and operating effectively to reduce the risk that the billings, collections, and insurance claims have been completely and accurately processed.

Payments are received from Medicare, insurance companies, collection agencies, and individuals for EMS runs that have been provided to township and non-township residents. The officials of the Township are performing very little monitoring of the EMS run billings and collections.

For all runs during the audit period, the mileage rate billed did not agree to the mileage rate that was approved by the Board. For all basic runs after June 30, 2005, the amount billed did not agree to the amount that was approved by the Board. In addition, the officials have not performed any type of reconciliation between the actual EMS run sheets and the amounts that have been billed and collected.

Failure to ensure that the proper rates were being charged for EMS billings has led to individuals being charged incorrect amounts for EMS runs throughout the audit period and, consequently, a loss in revenue for the Township. Failure to reconcile run sheets to amounts billed and collected could lead to errors and irregularities occurring and failing to be detected in a timely manner. In addition, if proper monitoring procedures had been performed, it would have been discovered that the resolution of July 1, 2005 that increased the cost of EMS runs and mileage was not being used for billings by the third party administrator and that EMS runs had been under-billed by \$1,134 and over-billed in the amount of \$564.

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

The Township could further assure the completeness and accuracy of EMS run claims processed by the third-party administrators. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two *Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness* in accordance with SAS No. 70 should provide the Township with reasonable assurance that billings and collections are in conformance with guidelines.

As an alternative, the Township may request an independent auditor to perform agreed-upon procedures at the service organizations to gain assurance over the claims.

EMS runs should be more closely monitored by the officials of the Township. The officials should ensure that the correct charges, as approved by the Board, are being billed for EMS runs. Also, the officials should receive the EMS run sheets that should be reconciled to amounts that have been billed and collected. Any discrepancies discovered should be investigated and resolved. The possibility exists that in future audits, a finding for recovery could be issued for money due but not collected.

We also recommend that the Township specify in its agreement with the third-party administrators that annual Type Two SAS 70 Reports be obtained or agreed-upon procedures be performed. The Township should be provided a copy of the respective reports timely and should review the report's content. The SAS 70 report or agreed-upon procedures should be conducted in accordance with the American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State.

**Officials' Response**

We plan to adopt procedures to periodically check the ambulance runs to the subsequent billings and collections in order to establish sufficient monitoring controls.



**Auditor of State  
Betty Montgomery**

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**MONROE TOWNSHIP**

**ALLEN 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 9, 2006**