

MONROE TOWNSHIP
MADISON COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2005 and 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Monroe Township
4036 Little Darby Road
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of Monroe Township, Madison County, prepared by Van Kregel & Company, for the audit period January 1, 2004 through December 31, 2005. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 16, 2007

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Van Krevel & Company
Certified Public Accountants
5201 Indian Hill Road
Dublin, OH 43017
614-761-3743

Independent Auditor's Report

To the Board of Trustees
Monroe Township
Madison County, Ohio
4036 Little Darby Road
London, Ohio 43140

We have audited the accompanying financial statements of Monroe Township, Madison County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide 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 the State of Ohio 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds accompanying the financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also presenting its larger (i.e., major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of the State of Ohio permits, but does not require townships 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 are materially misstated under the accounting basis the Auditor of the State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to the non-GAAP basis is in the second following paragraph.

Monroe Township
Madison County
Independent Auditor's Report
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In our opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Monroe Township, Madison County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine 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*. You should read it in conjunction with this report in assessing the results of our audit.

/s/ Van Krevel & Company
Dublin, Ohio

November 22, 2006

Monroe Township
Madison County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2005

	<u>Governmental Funds</u>		Totals Memorandum Only
	<u>General</u>	Special <u>Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 25,890	\$ 18,999	\$ 44,889
Intergovernmental	31,603	101,265	132,868
Licenses, Permits and Fees	0	8,266	8,266
Earnings on Investments	876	567	1,443
Other Revenue	<u>1,984</u>	<u>3,118</u>	<u>5,102</u>
Total Cash Receipts	<u>60,353</u>	<u>132,215</u>	<u>192,568</u>
Cash Disbursements:			
Current:			
General Government	65,235	0	65,235
Public Safety	0	22,564	22,564
Public Works	0	41,292	41,292
Health	0	7,616	7,616
Capital Outlay	<u>1,500</u>	<u>7,563</u>	<u>9,063</u>
Total Cash Disbursements	<u>66,735</u>	<u>79,035</u>	<u>145,770</u>
Total Receipts Over (Under) Disbursements	(6,382)	53,180	46,798
Fund Cash Balances, January 1	<u>90,293</u>	<u>106,516</u>	<u>196,809</u>
Fund Cash Balances, December 31	<u>\$ 83,911</u>	<u>\$159,696</u>	<u>\$243,607</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Monroe Township
Madison County, Ohio

Combined Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2004

	<u>Governmental Funds</u>		Totals Memorandum Only
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 24,610	\$ 18,054	\$ 42,664
Intergovernmental	20,256	76,959	97,215
Licenses, Permits and Fees	0	4,126	4,126
Earnings on Investments	1,376	376	1,752
Other Revenue	<u>694</u>	<u>5,984</u>	<u>6,678</u>
Total Cash Receipts	<u>46,936</u>	<u>105,499</u>	<u>152,435</u>
Cash Disbursements:			
Current:			
General Government	57,361	0	57,361
Public Safety	0	22,141	22,141
Public Works	0	44,056	44,056
Health	0	5,754	5,754
Capital Outlay	<u>18,229</u>	<u>16,677</u>	<u>34,906</u>
Total Cash Disbursements	<u>75,590</u>	<u>88,628</u>	<u>164,218</u>
Total Receipts Over (Under) Disbursements	(28,654)	16,871	(11,783)
Other Financing Receipts			
Sale of Fixed Assets	<u>0</u>	<u>3,830</u>	<u>3,830</u>
Total Other Financing Receipts	<u>0</u>	<u>3,830</u>	<u>3,830</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	<u>(28,654)</u>	<u>20,701</u>	<u>(7,953)</u>
Fund Cash Balances, January 1	<u>118,947</u>	<u>85,815</u>	<u>204,762</u>
Fund Cash Balances, December 31	<u>\$ 90,293</u>	<u>\$106,516</u>	<u>\$196,809</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Monroe Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2005 and 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A Description of the Entity

Monroe Township, Madison County, Ohio (the Township) is a body corporate and politic established 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 provides road maintenance and cemetery maintenance. The Township contracts with the Central Townships Fire Department to provide fire 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 prescribed or permitted by the Auditor of the State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of the State of Ohio.

C Cash and Investments

Investments are reported as assets and are included in fund balances. 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 disbursements, respectively.

The Township did not maintain any investments as of December 31, 2005 and 2004.

Monroe Township
Madison County, Ohio

Notes to the Financial Statements
December 31, 2005 and 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2 Special Revenue Funds

These funds are used to 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:

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain, and repair Township roads and bridges.

Fire District Fund - This fund receives property tax levy money to provide fire and ambulance services through contracted services.

E Budgetary Process

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

1 Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

Monroe Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E Budgetary Process (continued)

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 in the subsequent year.

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

F Property, Plant and Equipment

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

2 EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2005</u>	<u>2004</u>
Demand Deposits	<u>\$243,607</u>	<u>\$196,809</u>

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

Monroe Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

3 BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005, follows:

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$ 50,873	\$ 60,353	\$ 9,480
Special Revenue	<u>102,478</u>	<u>132,215</u>	<u>29,737</u>
Totals	<u>\$153,351</u>	<u>\$192,568</u>	<u>\$39,217</u>

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$ 94,511	\$ 66,735	\$27,776
Special Revenue	<u>135,550</u>	<u>79,035</u>	<u>56,515</u>
Totals	<u>\$230,061</u>	<u>\$145,770</u>	<u>\$84,291</u>

Budgetary activity for the year ending December 31, 2004, follows:

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$ 50,776	\$ 46,936	\$ (3,840)
Special Revenue	<u>94,515</u>	<u>109,329</u>	<u>14,814</u>
Totals	<u>\$145,291</u>	<u>\$156,265</u>	<u>\$10,974</u>

<u>Fund Type</u>	<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$130,342	\$ 75,590	\$ 54,752
Special Revenue	<u>136,240</u>	<u>88,628</u>	<u>47,612</u>
Totals	<u>\$266,582</u>	<u>\$164,218</u>	<u>\$102,364</u>

Monroe Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

4 PROPERTY TAX

Real property taxes become a lien on January 1st preceding the October 1st date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31st. If the property owner elects to make semi-annual payments, the first half is due December 31st. The second half payment is due the following June 20th.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property with the County by April 30th of each year.

The County is responsible for assessing property and for billing, collecting and distributing all property taxes on behalf of the Township.

5 RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for January 1, 2004 through December 31, 2005. The Township has paid all contributions required through December 31, 2005.

6 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 Workers' 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.

Monroe Township
Madison County, Ohio

Notes to Financial Statements
December 31, 2005 and 2004

6 RISK MANAGEMENT (continued)

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 \$500,000,000 per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600,000,000 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 \$600,000,000 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 claim payments on covered losses. Claims exceeding coverage limits are the obligations 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 contributions, 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	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained Earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 9,177,796	\$ 7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained Earnings	<u>\$ 7,771,765</u>	<u>\$ 7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$6,818.

Van Krevel & Company
Certified Public Accountants
5201 Indian Hill Road
Dublin, OH 43017
614-761-3743

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

To the Board of Trustees
Monroe Township
Madison County, Ohio
4036 Little Darby Road
London, Ohio 43140

We have audited the accompanying financial statements of Monroe Township, Madison County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated November 22, 2006, wherein we noted that the Township followed accounting practices the Auditor of the State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audits 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 audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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 of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the township in a separate letter dated November 22, 2006.

Monroe Township
Madison County, Ohio
Report on Internal Control Over Financial Reporting and on
Compliance with Other Matters Based on an Audit of Financial Statements
Performs in accordance with *Government Auditing Standards*

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, contract and grant agreements, non-compliance 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

/s/ Van Krevel & Company
Dublin, Ohio

November 22, 2006



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

MADISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 30, 2007**