

**MONROE TOWNSHIP,  
MUSKINGUM COUNTY**

**Audited Financial Statements  
For the years ended December 2006 and 2005**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Monroe Township  
9700 Edgemoor Road  
New Concord, Ohio 43762

We have reviewed the *Independent Accountants' Report* of Monroe Township, Muskingum County, prepared by Tucker & Tucker, for the audit period January 1, 2005 through December 31, 2006. 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 Accountants' 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 Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 12, 2009

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**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

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## **Independent Accountants' Report**

Monroe Township  
Muskingum County, Ohio  
12295 Parks Road  
New Concord, Ohio 43762

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i. e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor or State permits, but does not require

Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Monroe Township, Muskingum County, Ohio as of December 31, 2006 and 2005, 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, Muskingum County, Ohio as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Tucker & Tucker

Cambridge, Ohio  
December 12, 2008



**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$ 12,355	\$ 17,393	\$ 29,748
License Permits and Fees	0	94	94
Intergovernmental	32,281	103,201	135,482
Earnings on Investments	50	68	118
Other Revenue	301	0	301
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	\$ 44,987	\$ 120,756	\$ 165,743
<b>Cash Disbursements:</b>			
Current:			
General Government	\$ 38,724	\$ 0	\$ 38,724
Public Safety	0	10,290	10,290
Public Works	2,208	81,022	83,230
Debt Service:			
Redemption of Principal	3,459	9,170	12,629
Interest and Fiscal Charges	1,575	2,552	4,127
Capital Outlay	0	655	655
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	\$ 45,966	\$ 103,689	\$ 149,655
Total Cash Receipts Over/(Under) Cash Disbursements	\$ (979)	\$ 17,067	\$ 16,088
<b>Other Financing Receipts/(Disbursements)</b>			
Advances - In	\$ 0	\$ 0	\$ 0
Advances - Out	0	0	0
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	\$ 0	\$ 0	\$ 0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ (979)	\$ 17,067	\$ 16,088
<b>Fund Cash Balances, January 1, 2006</b>	<hr/>	<hr/>	<hr/>
	3,273	33,915	37,188
<b>Fund Cash Balances, December 31, 2006</b>	<hr/>	<hr/>	<hr/>
	\$ 2,294	\$ 50,982	\$ 53,276
<b>Reserve for Encumbrances, December 31, 2006</b>	<hr/>	<hr/>	<hr/>
	\$ 0	\$ 0	\$ 0

The Notes to the Financial Statements are an integral part of this statement.

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

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$ 11,669	\$ 17,279	\$0	\$ 28,948
Intergovernmental	17,983	171,488	0	189,471
Earnings on Investments	80	47	0	127
Other Revenue	52	0	0	52
	<u>29,784</u>	<u>188,814</u>	<u>\$0</u>	<u>\$ 218,598</u>
Total Cash Receipts	<u>\$ 29,784</u>	<u>\$ 188,814</u>	<u>\$0</u>	<u>\$ 218,598</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	\$ 26,799	\$0	\$0	\$ 26,799
Public Safety	0	3,899	0	3,899
Public Works	2,667	78,055	0	80,722
Debt Service:				
Redemption of Principal	0	8,687	6,530	15,217
Interest and Fiscal Charges	0	3,035	1,219	4,254
Capital Outlay	0	85,814	29,251	115,065
	<u>29,466</u>	<u>179,490</u>	<u>\$ 37,000</u>	<u>\$ 245,956</u>
Total Cash Disbursements	<u>\$ 29,466</u>	<u>\$ 179,490</u>	<u>\$ 37,000</u>	<u>\$ 245,956</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>\$ 318</u>	<u>\$ 9,324</u>	<u>\$ (37,000)</u>	<u>\$ (27,358)</u>
<b>Other Financing Receipts/(Disbursements)</b>				
Other Debt Proceeds	\$0	\$0	\$ 37,000	\$ 37,000
Transfers - In	0	0	0	0
Transfers - Out	0	0	0	0
Advances - In	0	30	0	30
Advances - Out	(30)	0	0	(30)
	<u>(30)</u>	<u>30</u>	<u>\$ 37,000</u>	<u>\$ 37,000</u>
Total Other Financing Receipts/(Disbursements)	<u>\$ (30)</u>	<u>\$ 30</u>	<u>\$ 37,000</u>	<u>\$ 37,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>\$ 288</u>	<u>\$ 9,354</u>	<u>\$0</u>	<u>\$ 9,642</u>
<b>Fund Cash Balances, January 1, 2005</b>	<u>2,986</u>	<u>24,561</u>	<u>0</u>	<u>27,547</u>
<b>Fund Cash Balances, December 31, 2005</b>	<u>\$ 3,274</u>	<u>\$ 33,915</u>	<u>\$0</u>	<u>\$ 37,189</u>
<b>Reserve for Encumbrances, December 31, 2005</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The Notes to the Financial Statements are an integral part of this statement.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Notes to the Financial Statements**  
**December 31, 2006 and 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Description of the Entity**

Monroe Township, Muskingum 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 also has an elected Township Clerk/Fiscal Officer. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Adamsville Volunteer Fire Department to provide fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool for coverage of property and casualty insurance. Note 6 to the financial statements provides additional information for this entity.

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

**Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, 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 State.

**Fund Accounting**

The Township uses fund accounting to maintain its financial records. 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, to aid financial management, and to demonstrate legal compliance. The Township classifies its funds into the following types:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of the State of Ohio.

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 pay for constructing, maintaining and repairing Township roads.

*Road and Bridge Funds* – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

*Fire District Fund* – This fund receives property tax money to provide fire protection for the Township.

*Motor Vehicle License Tax Fund* – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

*State FEMA Funds (2005)* – This fund is funded with grants of FEMA money from the State of Ohio Emergency Management Agency for emergency road and bridge repairs as set forth in guidelines of the Federal Emergency Management Agency.

Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

*Permanent Improvement Fund* – This fund accounted for the construction of a new Township garage with borrowed funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Budgetary Process**

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

Appropriations

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

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. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**Property, Plant and Equipment**

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

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**Interfund Receivables/Payables**

The Township reports advances-in and advances-out for Interfund loans. These items are not reflected as assets or liabilities in the accompanying financial statements.

**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 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**Long-Term Obligations**

The Township’s financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

**Estimates**

The regulatory basis of accounting used by the Township requires management to make estimates and assumptions that affect certain reported amounts and disclosures and accordingly, actual results could differ from those estimates.

NOTE 2 – EQUITY IN POOLED CASH

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 53,276	\$ 37,189
Total	<u>\$ 53,276</u>	<u>\$ 37,189</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation. Interest earnings are allocated to Township funds according to State statues, grant requirements, or debt related restrictions.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follow:

2006 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 29,118	\$ 44,987	\$ 15,869
Special Revenue	81,231	120,756	39,525
Total	<u>\$ 110,349</u>	<u>\$ 165,743</u>	<u>\$ 55,394</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 32,391	\$ 45,966	\$ 13,575
Special Revenue	114,595	103,689	(10,906)
Total	<u>\$ 146,986</u>	<u>\$ 149,655</u>	<u>\$ 2,669</u>

NOTE 3 - BUDGETARY ACTIVITY - continued

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 28,732	\$ 29,784	\$ 1,052
Special Revenue	136,277	188,814	52,537
Capital Projects	<u>37,000</u>	<u>37,000</u>	<u>0</u>
Total	<u>\$ 202,009</u>	<u>\$ 255,598</u>	<u>\$ 53,589</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 31,718	\$ 29,466	\$ (2,252)
Special Revenue	165,964	179,490	13,526
Capital Projects	<u>37,000</u>	<u>37,000</u>	<u>0</u>
Total	<u>\$ 234,682</u>	<u>\$ 245,956</u>	<u>\$ 11,274</u>

**Accountability and Compliance**

Prior certification of Township funds was not always obtained prior to purchase commitments being incurred during 2006 and 2005, contrary to Ohio Revised Code Section 5705.41 (D).

A reduced amended certificate was not obtained for budgeted receipts not received in the Motor Vehicle License fund during 2005.

Expenditures exceeded appropriations at the legal level of control within the General and Miscellaneous Special Revenue (FEMA) Funds during 2006 and in the Gasoline tax and FEMA Funds during 2005, contrary to Ohio Revised Code Section 5705.41 (B).

Amendments made to the Township's appropriations were neither formally approved by the Board of Trustees, nor were they certified to the County Auditor, contrary to Ohio Revised Code Section 5705.40.



NOTE 4 – PROPERTY TAX

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 a year represent the collection of the prior year's taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35% 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 a year represent the collection of the prior year's taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in a year (other than public utility property) represent the collection of that year's taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. During 2006, tangible personal property was currently assessed at 18.75% of true value for capital assets and 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 April 30, with the remainder payable by September 20.

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

NOTE 5 – DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Public Finance Lease Loan - Truck	\$ 42,060	5.35
Public Finance Lease Loan - Building	<u>27,263</u>	4.91
	<u>\$ 69,323</u>	

The public finance lease loans were issued to finance the purchase of a 2004 International truck to be used for Township road maintenance and to build a new Township garage building. The truck loan was collateralized by the 2004 International truck. The building loan was collateralized by the building.

NOTE 5 – DEBT - continued

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

	<u>Truck Loan</u>	<u>Building Loan</u>
Year Ending December 31:		
2007	\$ 11,722	\$ 5,034
2008	11,722	5,034
2009	11,722	21,106
2010	<u>11,722</u>	<u>0</u>
	<u>\$ 46,888</u>	<u>\$ 31,174</u>

NOTE 6 - RISK MANAGEMENT

**Risk Pool Membership**

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 insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

NOTE 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 reinsures losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 values. 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 2006 was \$1,901,127.

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.

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 32,031,312	\$ 30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$ 20,587,360</u>	<u>\$ 18,141,062</u>
 <u>Property Coverage</u>		
Assets	\$ 10,010,963	\$ 9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$ 9,334,254</u>	<u>\$ 7,771,765</u>

NOTE 6 - RISK MANAGEMENT - continued

**Workers' Compensation Insurance**

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is variable based on accident history and administrative costs.

NOTE 7 - RETIREMENT SYSTEM

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.

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, 2006, the members were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 9.2 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 2006, 2005, and 2004 were \$3,315, \$4,033, and \$5,681 respectively. The full amount has been contributed for 2006, 2005 and 2004.

## NOTE 8 – 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 Benefits as described in *GASB Statements 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 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employee contribution rate was 13.55 percent of covered payroll; 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, 2005, include a rate of return on investments of 6.50 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 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 and 2005 which were used to fund post-employment benefits were \$1,621 and \$1,972 respectively. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, 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. Member and employer contribution rates will be increased over a five year period, which will allow additional funds to be allocated to the health care plan.

## NOTE 9 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

Monroe Township  
Muskingum County, Ohio  
12295 Parks Road  
New Concord, Ohio 43762

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated December 12, 2008 wherein we noted the Township follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. See findings 2006-1 through 2006-07.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding number 2006-01 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2006-08 through 2006-12.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely 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.

Tucker & Tucker

Cambridge, Ohio  
December 12, 2008



**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings**  
**December 31, 2006 and 2005**

**MATERIAL WEAKNESS**

**Finding Number 2006-01 – Bank Statement Reconciliations**

Statement of Condition: During the audit period, we noted several instances where bank reconciliations were not performed in a timely manner. Also, unreconciled differences were reported and not resolved. Bank reconciliations are a significant internal control. Lack of properly and timely prepared bank reconciliations could allow misappropriations of cash to occur and not be identified or financial reports to be incorrectly prepared, impairing the Trustees ability to manage the affairs of the Township.

Recommendation: We recommend that all bank accounts be properly and completely reconciled on a timely basis every month.

Response: We agree with the auditor's findings and will perform bank reconciliations each month on a timely basis.

**SIGNIFICANT DEFICIENCIES**

**Finding Number 2006-02 – Written Policies and Procedures**

Statement of Condition: The Township has not adopted a written policy manual addressing such issues as conflict of interest, availability of township records for public inspection or employee matters. Without such written policies, it will be more difficult for the Township management to consistently administer direction in Township matters.

Recommendation: We recommend the Fiscal Officer and Trustees propose said policies and procedures in sufficient detail.

Response: We agree with the Auditor's recommendation and will work to complete a written policies and procedures manual before December 31, 2008.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2006 and 2005**

**Finding Number 2006-03 – Meeting Minutes**

Statement of Condition: Ohio Revised Code Section 507.04 states, in part, that “the township Fiscal Officer shall keep an accurate record of the proceedings of the board of township trustees at all its meetings...” The minutes of the Township were sometimes silent concerning Board matters such as budgetary action and approval of employee pay rates. The minutes are the official record of Township activity and should reflect all action approved by the Board of Township Trustees.

Recommendation: We recommend all board approved action be included in the official minute record of the Township.

Response: We agree with the Auditor’s finding and will implement it immediately.

**Finding Number 2006-04 – Absence of Documentation Concerning Expenditures**

Statement of Condition: Expenditures of the Township were not always supported by adequate documentation in support of the payment. This inadequate documentation weakens accountability over the use of Township funds.

Recommendation: We recommend that each expenditure of the Township be accompanied by sufficient documentation to support the proper purpose of the expenditure.

Response: We agree with the recommendation and will provide documentation for all expenditures.

**Finding Number 2006-05 – Absence of Documentation Concerning Receipts**

Statement of Condition: Receipts of the Township do not include adequate documentation concerning the source and purpose of the receipt. Without this information, it is difficult to determine correct receipt amount and proper fund and receipt code posting.

Recommendation: We recommend each receipt include information/documentation to support correct accounting in the ledgers of the Township.

Response: We agree with the recommendation and will include adequate documentation in the future.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2006 and 2005**

**Finding Number 2006-06 – Payment of Bills**

Statement of Condition: We noted on several occasions, that bills were not paid and/or posted in a timely manner. This was especially apparent in the payment of bank debt, which, at one time, was posted 6 months after the due date. This weakens accountability over expenditures and does not provide an accurate account of funds available for Township use.

Recommendation: We recommend bills be paid in a timely manner, when due, in order to provide reliable financial information.

Response: We will make every effort to pay obligations of the Township in a timely manner.

**Finding Number 2006-07 – Documentation Retention**

Statement of Condition: Based on the lack of adequate supporting documentation in several audit areas, it is clear that no system by which to organize and retain necessary information has been established. This weakens the overall accountability of Township transactions.

Recommendation: We recommend that a system be put in place, which would allow for retention and easy access to all Township documents.

Response: We agree with the recommendation and will devise and implement a system of records accountability immediately.

**COMPLIANCE FINDINGS**

**Finding Number 2006-08 – Purchase Order Procedures**

Statement of Condition: Ohio Revised Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in section 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2006 and 2005**

**Finding Number 2006-08 – Purchase Order Procedures - continued**

“Then and Now” Certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our audit fieldwork, we noted numerous instances where purchase orders were issued and/or approved after the expenses were incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Recommendation: We recommend that Township personnel obtain proper purchase orders prior to incurring any obligations on behalf of the Township. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Response: We agree with the Auditor’s recommendation. The Fiscal Officer will review purchase order procedures with all employees of the Township.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2006 and 2005**

**Finding Number 2006-09 – Appropriations in Excess of Available Funds**

Statement of Condition: Ohio Revised Code Section 5705.36 (A) (5) provides that total appropriations and disbursements shall not exceed the amount of estimated revenue including the carryover cash balance at the beginning of the year.

Ohio Revised Code Section 5705.39 provides in part that the total appropriation from each fund shall not exceed the estimated revenue available for expenditure therefrom as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

During 2005, the appropriations in the FEMA Fund exceed estimated revenue plus carryover.

Recommendation: We recommend that the Township modify amounts available for appropriations before they are exceeded.

Response: We agree with the Auditor's recommendation. We will closely monitor estimated revenue and appropriation amounts and will amend estimated revenue amounts as necessary.

**Finding Number 2006-10 – Estimated Receipts**

Statement of Condition: Ohio Revised Code Section 5705.36 (A) (2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon the determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

Ohio Revised Code Section 5705.36 (A) (3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Revised Code Section 5705.36 (A) (4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2005, the Motor Vehicle License Fund had actual receipts below estimated receipts and a reduced amended certificate was not obtained. Additionally, appropriations were set at the level of estimated receipts plus carryover. The Township should have obtained a reduced amended certificate and made the corresponding reduction in appropriations.

Recommendation: We recommend that the Township review its actual receipts and appropriations on a regular basis and amend amounts as necessary.

Response: We agree with the Auditor's recommendation and will monitor actual receipts and appropriations on a regular basis.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2006 and 2005**

**Finding Number 2006-11 – Appropriation Procedures**

Statement of Condition: Ohio Revised Code Section 5705.40 states, in part, that a subdivision may amend or supplement their appropriation measure provided the entity complies with the same provisions of the law as are used in making the original appropriation.

The Township Clerk posted several appropriation amendments throughout the audit period. However, these amendments were neither approved by the Board of Trustees in the minutes, nor were they certified to the County Auditor.

Recommendation: We recommend Township management review budgetary procedures for amending appropriations and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. In addition, we recommend the Clerk document any budgetary amendments approved by the Board in the minutes and post these amendments only after approval has been obtained. The budgetary presentation in Note 3 includes only appropriations approved by the Board.

Response: We agree with the Auditor's recommendation. Appropriate budgetary procedures will be studied and followed going forward.

**Finding Number 2006-12 – Expenditures in Excess of Appropriations**

Statement of Condition: Ohio Revised Code Section 5705.41 (B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

During the year ending December 31, 2006, the General Fund had expenditures, which exceeded appropriations by \$14,575, and the FEMA Fund had expenditures, which exceeded appropriations by \$551.

During the year ending December 31, 2005, the Gasoline Tax Fund had expenditures that exceeded appropriations by \$265 and the FEMA Fund had expenditures that exceeded appropriations by \$28,465.

The Clerk should deny payment requests exceeding appropriations, as required by Ohio Revised Code Section 5705.41 (D).

Recommendation: We recommend the Board of Trustees and Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Board should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations.

Response: We agree with the Auditor's recommendation and will implement it immediately.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Prior Audit Findings**  
**December 31, 2006 and 2005**

**Finding Number 2004-01**

Finding Summary: The Township had not adopted a written policy manual.

Finding Status: Reissued as current period Finding Number 2006-02.

**Finding Number 2004-02**

Finding Summary: The Township minutes were not clear concerning some Board matters.

Finding Status: Reissued as current period Finding Number 2006-03.

**Finding Number 2004-03**

Finding Summary: The Township did not always make proper use of purchase orders.

Finding Status: Reissued as current period Finding Number 2006-08.

**Finding Number 2004-04**

Finding Summary: Appropriations in some funds exceeded estimated revenue plus carryover balance.

Finding Status: Reissued as current period Finding Number 2006-09.

**Finding Number 2004-05**

Finding Summary: Actual receipts in some funds were lower than estimated and a reduced amended certificate was not obtained.

Finding Status: Reissued as current period Finding Number 2006-10.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Prior Audit Findings - continued**  
**December 31, 2006 and 2005**

**Finding Number 2004-06**

Finding Summary: Road maintenance and improvement revenue and expenditures were incorrectly posted to the General Fund.

Finding Status: Corrected. Revenue and expenditure amounts posted to correct funds.

**Finding Number 2004-07**

Finding Summary: Appropriation amendments were posted to Township ledgers, which had not been passed by the Trustees.

Finding Status: Reissued as current period Finding Number 2006-11.

**Finding Number 2004-8**

Finding Summary: Expenditures exceeded appropriations in some Township funds.

Finding Status: Reissued as current period Finding Number 2006-11.

**Finding Number 2004-9**

Finding Summary: A bank loan for the purchase of a truck was not entered on the accounts of the Township.

Finding Status: Corrected. Debt proceeds entered into the accounts of the Township.





Mary Taylor, CPA  
Auditor of State

**MONROE TOWNSHIP**

**MUSKINGUM 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  
MARCH 24, 2009**