

**MONROE TOWNSHIP,  
MUSKINGUM COUNTY**

**Audited Financial Statements  
For the years ended December 2004 and 2003**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Monroe Township  
New Concord, Ohio

We have reviewed the *Independent Accountants' Report* of Monroe Township, Muskingum County, prepared by Tucker & Tucker, for the audit period January 1, 2003 through December 31, 2004. 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, Muskingum County is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

March 29, 2006

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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, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Government to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity wide statements and also to present its larger (i. e. major) funds separately for 2004. While the Government 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 State permits, but does not require governments to reformat their statements. The Government has elected not to reformat its statements. Since this Government does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amount reported pursuant to its non-GAAP basis is in the second following paragraph.

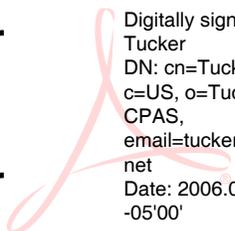
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United State of America, the financial position of Monroe Township, Muskingum County, Ohio as of December 31, 2004, or their changes in financial position for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Government to include Management's Discussion and Analysis for the year ended December 31, 2004. The Government 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 February 4, 2006, on our consideration of the Government'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  
and  
Tucker



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Tucker  
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c=US, o=Tucker and Tucker  
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Tucker & Tucker

Cambridge, Ohio  
February 4, 2006

**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, 2004

	<b>Governmental Fund Types</b>		<b>Totals</b>
	<b>General</b>	<b>Special Revenue</b>	<b>(Memorandum Only)</b>
<b>Cash Receipts:</b>			
Local Taxes	\$ 12,383	\$ 18,314	\$ 30,697
Intergovernmental	21,685	75,410	97,095
Earnings on Investments	18	27	45
Other Revenue	921	0	921
<b>Total Cash Receipts</b>	<b>\$ 35,007</b>	<b>\$ 93,751</b>	<b>\$ 128,758</b>
<b>Cash Disbursements:</b>			
Current:			
General Government	\$ 31,083	\$ 0	\$ 31,083
Public Safety	0	9,144	9,144
Public Works	1,532	78,033	79,565
Debt Service:			
Redemption of Principal	0	12,946	12,946
Interest and Fiscal Charges	0	3,775	3,775
Capital Outlay	0	3,000	3,000
<b>Total Cash Disbursements</b>	<b>\$ 32,615</b>	<b>\$ 106,898</b>	<b>\$ 139,513</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>\$ 2,392</b>	<b>\$ (13,147)</b>	<b>\$ (10,755)</b>
<b>Other Financing Receipts/(Disbursements)</b>			
Advances - In	300	2,300	2,600
Advances - Out	(300)	(2,300)	(2,600)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>\$ 2,392</b>	<b>\$ (13,147)</b>	<b>\$ (10,755)</b>
<b>Fund Cash Balances, January 1, 2004</b>	<b>594</b>	<b>37,708</b>	<b>38,302</b>
<b>Fund Cash Balances, December 31, 2004</b>	<b>2,986</b>	<b>24,561</b>	<b>27,547</b>
<b>Reserve for Encumbrances, December 31, 2004</b>	<b>54</b>	<b>426</b>	<b>480</b>

**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, 2003**

	<b>Governmental Fund Types</b>		<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	
<b>Cash Receipts:</b>			
Local Taxes	\$ 9,887	\$ 13,689	\$ 23,576
Intergovernmental	56,255	71,814	128,069
Earnings on Investments	41	19	60
Other Revenue	106	94	200
Total Cash Receipts	\$ 66,289	\$ 85,616	\$ 151,905
<b>Cash Disbursements:</b>			
Current:			
General Government	\$ 57,579	\$ 0	\$ 57,579
Public Safety	0	4,690	4,690
Public Works	2,627	50,303	52,930
Debt Service:			
Redemption of Principal	4,997	0	4,997
Interest and Fiscal Charges	540	0	540
Capital Outlay	0	69,623	69,623
Total Cash Disbursements	\$ 65,743	\$ 124,616	\$ 190,359
Total Cash Receipts Over/(Under) Cash Disbursements	\$ 546	\$ (39,000)	\$ (38,454)
<b>Other Financing Receipts/(Disbursements)</b>			
Sale of Notes	\$ 0	\$ 68,136	\$ 68,136
Transfers - In	0	2,000	2,000
Transfers - Out	(2,000)	0	(2,000)
Advances - In	900	900	1,800
Advances - Out	(900)	(900)	(1,800)
Total Other Financing Receipts/(Disbursements)	\$ (2,000)	\$ 70,136	\$ 68,136
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	\$ (1,454)	\$ 31,136	\$ 29,682
<b>Fund Cash Balances, January 1, 2003</b>	2,048	6,572	8,620
<b>Fund Cash Balances, December 31, 2003</b>	594	37,708	38,302
<b>Reserve for Encumbrances, December 31, 2003</b>	69	332	401

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

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Notes to the Financial Statements**  
**December 31, 2004 and 2003**

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. 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 7 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.

### **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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

### 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 Clerk.

### 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 2004 and 2003 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.

### **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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

**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.

**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 amount 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>2004</u>	<u>2003</u>
Demand deposits	\$ <u>27,547</u>	\$ <u>38,302</u>
Total	\$ <u><u>27,547</u></u>	\$ <u><u>38,302</u></u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool. Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions.

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follow:

<u>2004 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 28,095	\$ 35,307	\$ 7,212
Special Revenue	76,209	96,051	19,842
Total	<u>\$ 104,304</u>	<u>\$ 131,358</u>	<u>\$ 27,054</u>

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 28,690	\$ 32,969	\$ 4,279
Special Revenue	113,916	109,624	(4,292)
Total	<u>\$ 142,606</u>	<u>\$ 142,593</u>	<u>\$ (13)</u>

NOTE 3 - BUDGETARY ACTIVITY - continued

2003 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 27,479	\$ 67,189	\$ 39,710
Special Revenue	149,665	156,652	6,987
Total	<u>\$ 177,144</u>	<u>\$ 223,841</u>	<u>\$ 46,697</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 30,618	\$ 68,712	\$ 38,094
Special Revenue	154,357	125,848	(28,509)
Total	<u>\$ 184,975</u>	<u>\$ 194,560</u>	<u>\$ 9,585</u>

**Accountability and Compliance**

Prior certification of Township funds was not always obtained prior to purchase commitments being incurred during 2004 and 2003, 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 and Road and Bridge funds during 2003.

NOTE 3 – BUDGETARY ACTIVITY – continued

Expenditures exceeded appropriations at the legal level of control within the General and Gasoline Tax Funds during 2004 and in the General and FEMA Funds during 2003, 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 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2003 became a lien on December 31, 2002, were levied after October 1, 2003, 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 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% 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 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, 2004 was as follows:

	<u>Principal</u>	<u>Rate</u>
Public Finance Lease Loans	\$ 59,917	5.35

The general obligation notes were issued to finance the purchase of a 2004 International truck to be used for Township road maintenance. The notes are collateralized solely by the Township's taxing authority.

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

	<u>Obligation Notes</u>
Year Ending December 31:	
2005	\$ 11,722
2006	11,722
2007	11,722
2008	11,722
2009	11,722
Thereafter	<u>11,722</u>
	<u>\$ 70,332</u>

NOTE 6 – FUND TRANSFERS

During 2003, the following transfers were made:

Transfers from the General Fund to:

Gasoline Tax Fund	<u>\$ 2,000</u>
Total	<u><u>\$ 2,000</u></u>

## NOTE 7 - 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 coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

### Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

### Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000.

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

NOTE 7 - RISK MANAGEMENT - continued

Financial Position

OTARMA'S financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained Earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>
 <u>Property Coverage</u>		
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained Earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

NOTE 8 - RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (OPERS). OPERS 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. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. Of this total 9.55% is for pension benefits and 4.00% is for healthcare benefits.

## NOTE 8 - RETIREMENT SYSTEM - continued

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.

The Township's share of the required contributions for pension obligations to OPERS for the years ended December 31, 2004 and 2003 were \$5,681 and \$5,437 respectively. The full amount has been contributed for 2004 and 2003.

## NOTE 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. 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 plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll; 4.00% 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' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between 1% and 6% annually for the next eight years and 4% annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2005. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**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 accompanying financial statements of Monroe Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated February 4, 2006. In our report on the financial statements, we expressed a dual adverse/unqualified opinion on the financial statements. The adverse opinion resulted from financial statements not being prepared in accordance with accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements as prepared based on accounting practices the Auditor of State prescribes or permits. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could

adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-01 and 2004-02.

A material weaknesses is a 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 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. 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 to be material weaknesses. However, we believe none of the reportable conditions described above is 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 are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2004-03, 2004-04, 2004-05, 2004-06, 2004-07, 2004-08, and 2004-09.

This report is intended solely for the information and use of the audit committee, 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  
and  
Tucker**

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Tucker & Tucker

Cambridge, Ohio  
February 4, 2006

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings**  
**December 31, 2004 and 2003**

**REPORTABLE CONDITIONS**

**Finding Number 2004-01 – 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 Clerk and Trustees propose said policies and procedures in whatever detail they deem sufficient.

Response: We agree with the Auditor's recommendation and will work to complete a written policies and procedures manual before July 1, 2006.

**Finding Number 2004-02 – Meeting Minutes**

Statement of Condition: The minutes of the Township were sometimes silent concerning Board matters such as budgetary action, approval of employee pay rates and Interfund transfers. 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.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2004 and 2003**

**COMPLIANCE FINDINGS**

**Finding Number 2004-03 – 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.

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. One exception is: "then and now" certificates, provided for in section 5705.41 (D) (1) of the Ohio Revised Code.

"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 (\$1,000 prior to April 7, 2003) 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.

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.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2004 and 2003**

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 Clerk will review purchase order procedures with all employees of the Township.

**Finding Number 2004-04 – 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.

During 2003, the appropriations in the General Fund exceed estimated revenue plus carryover by \$1,762.

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 2004-05 – 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.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2004 and 2003**

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 2003, the Road and Bridge Fund and 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.

**Finding Number 2004-06 – Receipt Posting**

Statement of Condition: Ohio Revised Code Section 5705.10 requires, in part, that all revenue derived from a specific source be credited to a special fund for the purpose for which the monies were received.

During 2003 and 2004, \$5,000 of county road maintenance and improvement revenue and expenditures were incorrectly posted to the General Fund.

Since all amounts were expended as intended, and no amounts are carried over to future periods, no adjustment is necessary to the Township's accounting records.

Recommendation: We recommend that special revenue funds be used when appropriate. We recommend that all deposits be posted to the proper funds based on supporting documentation provided by the County Auditor.

Accounting and control of special purpose monies would be enhanced if such amounts are accounted for in separate special revenue funds.

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

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2004 and 2003**

**Finding Number 2004-07 – 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 multiple 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 accompanying budgetary presentation 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 2004-08 – 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, 2004, the General Fund had expenditures which exceeded appropriations by \$4,279 and the Gas Tax Fund had expenditures which exceeded appropriations by \$5,514.

During the year ending December 31, 2003, the General Fund had expenditures which exceeded appropriations by \$38,094 and the FEMA Fund had expenditures which exceeded appropriations by \$1,487.

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

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Findings (continued)**  
**December 31, 2004 and 2003**

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.

**Finding Number 2004-009 – Failure to Post Debt Proceeds**

Statement of Condition: The Township issued \$68,136 in general obligation notes during 2003 for the purpose of purchasing a truck. The check issued by the bank for the proceeds of the notes was made payable directly to the vendor. The Township's records reflected neither the proceeds of the notes as revenue nor the purchase of the equipment as an expenditure. As a result, receipts and disbursements were understated in 2003. Adjustments with which Township management agrees have been made to the 2003 financial statement to properly reflect the note proceeds and capital outlay expenditure.

Recommendation: We recommend that the Township properly recognize the revenue and expenditures associated with debt issuance and equipment purchases.

Response: We agree with the Auditor's recommendation and will properly record future debt issuance transactions.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Prior Audit Findings**  
**December 31, 2004 and 2003**

**Finding Number 2002-41060-001**

Finding Summary – Salary amounts for elected Township officials are set by Ohio Revised Code Sections 507.09 and 505.24. During 2001 and 2002, overstated estimated gasoline tax revenues caused all Township elected officials to be overpaid.

Finding Status – Corrected. All overpayment amounts have been repaid to the Township. Salary amounts were correct during 2003 and 2004.

**Finding Number 2002-41060-002**

Finding Summary – Voucher packages providing supporting documentation for expenditures did not provide adequate detailed documentation.

Finding Status – Corrected. Expenditure items selected for testing were adequately supported.

**Finding Number 2002-41060-003**

Finding Summary – A reduced amended certificate was not obtained when estimated receipts were determined to be too high as called for by Ohio Revised Code Section 5705.36 (A) (4).

Finding Status – Reissued as current period Finding Number 2004-05.

**Finding Number 2002-41060-004**

Finding Summary – Budgetary amendments including appropriation amendments were not filed with the County Auditor or approved in the Board minutes, thus not following the requirements of Ohio Revised Code Section 5705.40.

Finding Status – Reissued as current period Finding Number 2004-07.

**MONROE TOWNSHIP, MUSKINGUM COUNTY**  
**Schedule of Prior Audit Findings (continued)**  
**December 31, 2004 and 2003**

**Finding Number 2002-41060-005**

Finding Summary: The Township did not obtain certificates signed by the Clerk prior to incurring obligations as required by Ohio Revised Code Section 5705.41 (D) (1).

Finding Status: Reissued as current period Finding Number 2004-03.

**Finding Number 2002-41060-006**

Finding Summary: Expenditures exceeded appropriations contrary to Ohio Revised Code Section 5705.41 (B).

Finding Status: Reissued as current period Finding Number 2004-08.



**Auditor of State  
Betty Montgomery**

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**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  
APRIL 13, 2006**