

***MONROE TOWNSHIP
LICKING COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Trustees
Monroe Township
9444 Woodhaven Road
Johnston, Ohio 43031

We have reviewed the *Report of Independent Accountants* of Monroe Township, Licking County, prepared by Charles E. Harris & Associates, Inc., 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.

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

October 4, 2007

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**MONROE TOWNSHIP
LICKING COUNTY
AUDIT REPORT
For Years Ending December 31, 2006 and 2005**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Monroe Township, Licking County
9444 Woodhaven Road
Johnstown, Ohio 43031-9116

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Township, Licking County (the Township), as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township as of December 31, 2006 and 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund and Special Levy Fire Fund thereof for the years then ended in conformity with accounting basis Note 2 describes.

The management's discussion and analysis on pages 3 to 8 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2007 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, 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 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.

Charles E. Harris & Associates, Inc.

August 24, 2007

Monroe Township, Licking County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis Monroe Township, Licking County, Ohio's (Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets decreased by \$202,039, or 11.1 percent, a significant change from the prior year. The General and Fire Special Levy funds experienced significant decreases in cash balances. The overall decrease in cash balances is due to a higher increase in disbursements than receipts.

The Township's general receipts are primarily property taxes. These receipts represent 41.1 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased insignificantly compared to 2005.

Key highlights for 2005 are as follows:

Net assets decreased by \$300,666, or 14.2 percent, a significant change from the prior year. The overall decrease in cash balances is due to a higher increase in disbursements than receipts.

The Township's general receipts are primarily property taxes. These receipts represent 41.4 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the

Monroe Township, Licking County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Township as a Whole

A three-member board of trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each township program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each township function or activity draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, we divide the Township into one type of activity:

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

Reporting the Township's Most Significant Funds

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

Monroe Township, Licking County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

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

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 and 2005 on a cash basis:

| | Governmental Activities | |
|---------------------------|-------------------------|-------------|
| | 2006 | 2005 |
| Assets | | |
| Cash and Cash Equivalents | \$1,618,497 | \$1,820,536 |
| Total Assets | \$1,618,497 | \$1,820,536 |
| Net Assets | | |
| Restricted for: | | |
| Capital Outlay | 127,401 | 121,396 |
| Permanent Fund: | | |
| Expendable | 2,463 | 2,215 |
| Nonexpendable | 5,000 | 5,000 |
| Other Purposes | 1,292,821 | 1,473,883 |
| Unrestricted | 190,812 | 218,042 |
| Total Net Assets | \$1,618,497 | \$1,820,536 |

The Township implemented GASB 34 during 2005. There are no comparative financial results for 2004.

As mentioned previously, net assets of governmental activities decreased \$202,039 or 11.1 percent during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- Increases in salaries for full-time employees (firefighters/EMTs).
- The Township repaired several streets that were in very poor condition.
- Health benefit costs increased during 2006.

As mentioned previously, net assets of governmental activities decreased \$300,666, or 14.2 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Township repaired several streets that were in very poor condition.

Monroe Township, Licking County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

- The Township expended \$597,562 on capital outlay.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005 for governmental activities.

(Table 2)
Changes in Net Assets

| | Governmental Activities | |
|--|----------------------------|--------------------|
| | 2006 | 2005 |
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$278,803 | \$417,436 |
| Operating Grants and Contributions | 98,805 | 190,981 |
| Capital Grants and Contributions | 394,253 | 166,494 |
| Total Program Receipts | <u>771,861</u> | <u>774,911</u> |
| General Receipts: | | |
| Property and Other Local Taxes | 750,125 | 697,153 |
| Grants and Entitlements Not Restricted to Specific Programs | 162,174 | 145,758 |
| Interest | 73,045 | 40,180 |
| Miscellaneous | 67,994 | 24,916 |
| Total General Receipts | <u>1,053,338</u> | <u>908,007</u> |
| Total Receipts | <u>1,825,199</u> | <u>1,682,918</u> |
| Disbursements: | | |
| General Government | 217,088 | 212,019 |
| Security of Persons and Property: | 1,113,809 | 915,859 |
| Public Works | 165,354 | 213,838 |
| Public Health Services | 43,684 | 44,306 |
| Capital Outlay | 487,303 | 597,562 |
| Total Disbursements | <u>2,027,238</u> | <u>1,983,584</u> |
| Increase (Decrease) in Net Assets | (\$202,039) | (\$300,666) |
| Net Assets, January 1 | <u>1,820,536</u> | <u>2,121,202</u> |
| Net Assets, December 31 | <u>\$1,618,497</u> | <u>\$1,820,536</u> |

Program receipts in 2006 and 2005 represent only 42.3 and 46 percent, respectively, of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits, inspection fees, estate taxes, Issue II funding and cemetery fees.

General receipts in 2006 and 2005 represent 57.7 and 54 percent, respectively, of the Township's total receipts.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of officials' & full-time employees' salaries and benefits, and the auditor, treasurer, and purchasing.

Monroe Township, Licking County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Governmental Activities

If you look at the Statement of Activities on the attached reports, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for transportation and security of persons and property. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

| | Total Cost of Services 2006 | Net Cost of Services 2006 | Total Cost of Services 2005 | Net Cost of Services 2005 |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| General Government | \$217,088 | (\$207,641) | \$212,019 | (\$202,769) |
| Security of Persons and Property | 1,113,809 | (893,853) | 915,859 | (466,343) |
| Public Works | 165,354 | (66,549) | 213,838 | (105,438) |
| Public Health Services | 43,684 | 5,716 | 44,306 | (3,055) |
| Capital Outlay | 487,303 | (93,050) | 597,562 | (431,068) |
| Total Expenses | <u>\$2,027,238</u> | <u>(\$1,255,377)</u> | <u>\$1,983,584</u> | <u>(\$1,208,673)</u> |

The Township's Funds

During 2006 total Township funds had receipts of \$1,825,199 and disbursements of \$2,027,238. The Fire Special Levy Fund had several contracts totaling \$79,936, remaining unpaid at year-end. The Township also purchased capital assets. The General Fund transferred \$90,156 to other funds for capital outlay and purchase of capital assets.

During 2005 total Governmental funds had receipts of \$1,682,918 and disbursements of \$1,983,584. The Fire Special Levy Fund purchased capital assets. The General Fund transferred \$59,759 to other funds for capital outlay.

General Fund Budgeting Highlights

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

During 2006, the Township amended its General Fund budget several times to reflect changing circumstances. Original budgeted receipts were also amended. The difference between final budgeted receipts and actual receipts was \$116,600.

Final disbursements were budgeted at \$483,854 while actual disbursements were \$367,683.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Original budgeted receipts were also amended. The difference between final budgeted receipts and actual receipts was \$22,609.

Monroe Township, Licking County
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Final disbursements were budgeted at \$548,674 while actual disbursements were \$419,258.

Capital Assets and Debt Administration

Capital Assets

The Township does not report capital assets and infrastructure under the cash basis of accounting.

Debt

The Township had no outstanding debt during years 2006 and 2005.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debra S. Farley, Fiscal Officer, Monroe Township, by contacting her at 740/404-0531.

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF NET ASSETS - CASH BASIS
 DECEMBER 31, 2006

| | | Governmental Activities |
|--|-----------|----------------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ | 1,618,497 |
| Total Assets | \$ | 1,618,497 |
| Net Assets | | |
| Restricted for: | | |
| Capital Projects | \$ | 127,401 |
| Permanent Fund: | | |
| Expendable | | 2,463 |
| Nonexpendable | | 5,000 |
| Other Purposes | | 1,292,821 |
| Unrestricted | | 190,812 |
| Total Net Assets | \$ | 1,618,497 |

See accompanying notes to the financial statements

MONROE TOWNSHIP
LICKING COUNTY, OHIO
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended December 31, 2006

| | <u>Program Cash Receipts</u> | | | | Net (Disbursements) |
|--|------------------------------|-----------------------------|---|---|---|
| | <u>Cash Disbursements</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Receipts and Changes in Net Assets</u> <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| General Government | \$ 217,088 | \$ 9,447 | \$ - | \$ - | \$ (207,641) |
| Public Safety | 1,113,809 | 219,956 | - | - | (893,853) |
| Public Works | 165,354 | - | 98,805 | - | (66,549) |
| Health | 43,684 | 49,400 | - | - | 5,716 |
| Capital Outlay | 487,303 | - | - | 394,253 | (93,050) |
| Total Governmental Activities | <u>\$ 2,027,238</u> | <u>\$ 278,803</u> | <u>\$ 98,805</u> | <u>\$ 394,253</u> | <u>(1,255,377)</u> |
| | | | | | |
| General Receipts | | | | | |
| Property Taxes | | | | | 750,125 |
| Grants and Entitlements not Restricted to a Specific Program | | | | | 162,174 |
| Earnings on Investments | | | | | 73,045 |
| Miscellaneous | | | | | 67,994 |
| Total General Receipts | | | | | <u>1,053,338</u> |
| Change in Net Assets | | | | | (202,039) |
| Net Assets Beginning of Year | | | | | 1,820,536 |
| Net Assets End of Year | | | | | <u>\$ 1,618,497</u> |

See accompanying notes to the financial statements

MONROE TOWNSHIP
LICKING COUNTY, OHIO
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 2006

| | <u>General</u> | <u>Fire Special Levy</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|------------------------------|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 190,812 | \$ 1,134,661 | \$ 293,024 | \$ 1,618,497 |
| Total Assets | <u>\$ 190,812</u> | <u>\$ 1,134,661</u> | <u>\$ 293,024</u> | <u>\$ 1,618,497</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | \$ - | \$ 50,510 | \$ - | \$ 50,510 |
| Unreserved: | | | | |
| Undesignated, Reported in: | | | | |
| General Fund | 190,812 | - | - | 190,812 |
| Special Revenue Funds | - | 1,084,151 | 158,160 | 1,242,311 |
| Permanent Funds | - | - | 7,463 | 7,463 |
| Capital Projects Funds | - | - | 127,401 | 127,401 |
| Total Fund Balances | <u>\$ 190,812</u> | <u>\$ 1,134,661</u> | <u>\$ 293,024</u> | <u>\$ 1,618,497</u> |

See accompanying notes to the financial statements

MONROE TOWNSHIP
LICKING COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

| | <u>General</u> | <u>Fire Special Levy</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------|------------------------------|---|---|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 122,913 | \$ 573,908 | \$ 53,304 | \$ 750,125 |
| Charges for Services | - | 219,956 | 31,850 | 251,806 |
| Licenses, Permits and Fees | 9,447 | - | 17,550 | 26,997 |
| Intergovernmental | 119,523 | 180,514 | 355,195 | 655,232 |
| Earnings on Investments | 72,796 | - | 249 | 73,045 |
| Miscellaneous | 15,774 | 50,977 | 1,243 | 67,994 |
| Total Receipts | <u>340,453</u> | <u>1,025,355</u> | <u>459,391</u> | <u>1,825,199</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 217,088 | - | - | 217,088 |
| Public Safety | - | 1,113,809 | - | 1,113,809 |
| Public Works | 49,302 | - | 116,052 | 165,354 |
| Health | 8,218 | - | 35,466 | 43,684 |
| Capital Outlay | 2,919 | 161,477 | 322,907 | 487,303 |
| Total Disbursements | <u>277,527</u> | <u>1,275,286</u> | <u>474,425</u> | <u>2,027,238</u> |
| Receipts over (under) disbursements | 62,926 | (249,931) | (15,034) | (202,039) |
| Other Financing Sources (Uses) | | | | |
| Transfers-In | - | 52,222 | 69,441 | 121,663 |
| Transfers-Out | (90,156) | - | (31,507) | (121,663) |
| Total Other Financing Sources (Uses) | <u>(90,156)</u> | <u>52,222</u> | <u>37,934</u> | <u>-</u> |
| Net Change in Fund Balances | (27,230) | (197,709) | 22,900 | (202,039) |
| Fund Balances Beginning of Year | <u>218,042</u> | <u>1,332,370</u> | <u>270,124</u> | <u>1,820,536</u> |
| Fund Balances End of Year | <u>\$ 190,812</u> | <u>\$ 1,134,661</u> | <u>\$ 293,024</u> | <u>\$ 1,618,497</u> |

See accompanying notes to the financial statements

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - (BUDGET BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive/ (Negative) |
|---|------------------|--------------------|-------------------|--|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 135,390 | \$ 135,390 | \$ 122,913 | \$ (12,477) |
| Licenses, Permits and Fees | 10,000 | 10,000 | 9,447 | (553) |
| Intergovernmental | 64,035 | 64,035 | 119,523 | 55,488 |
| Earnings on Investments | 10,000 | 10,000 | 72,796 | 62,796 |
| Miscellaneous | 2,249 | 4,428 | 15,774 | 11,346 |
| Total Receipts | 221,674 | 223,853 | 340,453 | 116,600 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 245,189 | 262,149 | 217,088 | 45,061 |
| Public works | 79,515 | 50,420 | 49,302 | 1,118 |
| Health | 8,500 | 8,500 | 8,218 | 282 |
| Capital Outlay | 62,000 | 45,943 | 2,919 | 43,024 |
| Total Disbursements | 395,204 | 367,012 | 277,527 | 89,485 |
| Receipts Over (Under) Disbursements | (173,530) | (143,159) | 62,926 | 206,085 |
| Other financing Sources (Uses) | | | | |
| Transfers-Out | - | (90,157) | (90,156) | 1 |
| Other Financing Uses | (30,000) | (26,685) | - | 26,685 |
| Total Other Financing Sources (Uses) | (30,000) | (116,842) | (90,156) | 26,686 |
| Net Change in Fund Balance | (203,530) | (260,001) | (27,230) | 232,771 |
| Fund Balance Beginning of Year | 217,375 | 217,375 | 217,375 | - |
| Prior Year Encumbrances Appropriated | 667 | 667 | 667 | - |
| Fund Balance End of Year | \$ 14,512 | \$ (41,959) | \$ 190,812 | \$ 232,771 |

See accompanying notes to the financial statements

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - (BUDGET BASIS)
 SPECIAL LEVY (FIRE) FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|---|-------------------------|------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 627,608 | \$ 627,608 | \$ 573,908 | \$ (53,700) |
| Charges for Services | 366,000 | 366,000 | 219,956 | (146,044) |
| Intergovernmental | 60,000 | 60,000 | 180,514 | 120,514 |
| Earnings on Investments | 11,000 | 11,000 | - | (11,000) |
| Miscellaneous | 47,000 | 111,899 | 50,977 | (60,922) |
| Total Receipts | <u>1,111,608</u> | <u>1,176,507</u> | <u>1,025,355</u> | <u>(151,152)</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 1,707,713 | 1,757,813 | 1,132,732 | 625,081 |
| Capital Outlay | 687,268 | 687,268 | 193,064 | 494,204 |
| Total Disbursements | <u>2,394,981</u> | <u>2,445,081</u> | <u>1,325,796</u> | <u>1,119,285</u> |
| Receipts Over (Under) Disbursements | (1,283,373) | (1,268,574) | (300,441) | 968,133 |
| Other financing Sources (Uses) | | | | |
| Transfers-In | - | - | 52,222 | 52,222 |
| Other Financing Uses | (100,000) | (49,900) | - | 49,900 |
| Total Other Financing Sources (Uses) | <u>(100,000)</u> | <u>(49,900)</u> | <u>52,222</u> | <u>102,122</u> |
| Net Change in Fund Balance | (1,383,373) | (1,318,474) | (248,219) | 1,070,255 |
| Fund Balance Beginning of Year | 1,267,095 | 1,267,095 | 1,267,095 | - |
| Prior Year Encumbrances Appropriated | 65,275 | 65,275 | 65,275 | - |
| Fund Balance End of Year | <u>\$ (51,003)</u> | <u>\$ 13,896</u> | <u>\$ 1,084,151</u> | <u>\$ 1,070,255</u> |

See accompanying notes to the financial statements

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF NET ASSETS - CASH BASIS
 DECEMBER 31, 2005

| | | Governmental Activities |
|--|-----------|----------------------------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$ | 1,820,536 |
| Total Assets | \$ | 1,820,536 |
| Net Assets | | |
| Restricted for: | | |
| Capital Projects | \$ | 121,396 |
| Permanent Funds: | | |
| Expendable | | 2,215 |
| Nonexpendable | | 5,000 |
| Other Purposes | | 1,473,883 |
| Unrestricted | | 218,042 |
| Total Net Assets | \$ | 1,820,536 |

See accompanying notes to the financial statements

MONROE TOWNSHIP
LICKING COUNTY, OHIO
STATEMENT OF ACTIVITIES - CASH BASIS
For the Year Ended December 31, 2005

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Assets |
|---|-------------------------|--|--|----------------------------|--|
| Cash Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| Governmental Activities: | | | | | |
| General Government | \$ 212,019 | \$ 9,250 | \$ - | \$ - | \$ (202,769) |
| Public Safety | 915,859 | 366,935 | 82,581 | - | (466,343) |
| Public Works | 213,838 | - | 108,400 | - | (105,438) |
| Health | 44,306 | 41,251 | - | - | (3,055) |
| Capital Outlay | 597,562 | - | - | 166,494 | (431,068) |
| Total Governmental Activities | \$ 1,983,584 | \$ 417,436 | \$ 190,981 | \$ 166,494 | (1,208,673) |
| General Receipts: | | | | | |
| Property Taxes | | | | | 697,153 |
| Grants and Entitlements not Restricted to a Specific Program | | | | | 145,758 |
| Earnings on Investment | | | | | 40,180 |
| Miscellaneous | | | | | 24,916 |
| Total General Receipts | | | | | 908,007 |
| Change in Net Assets | | | | | (300,666) |
| Net Assets Beginning of Year | | | | | 2,121,202 |
| Net Assets End of Year | | | | | \$ 1,820,536 |

See accompanying notes to the financial statements

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 DECEMBER 31, 2005

| | <u>General</u> | <u>Fire Special Levy</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------|------------------------------|---|---|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 218,042 | \$ 1,332,370 | \$ 270,124 | \$ 1,820,536 |
| Total Assets | <u>\$ 218,042</u> | <u>\$ 1,332,370</u> | <u>\$ 270,124</u> | <u>\$ 1,820,536</u> |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | \$ 667 | \$ 65,275 | \$ - | \$ 65,942 |
| Unreserved: | | | | |
| Undesignated, Reported in: | | | | |
| General Fund | 217,375 | - | - | 217,375 |
| Special Revenue Funds | - | 1,267,095 | 141,513 | 1,408,608 |
| Permanent Funds | - | - | 7,215 | 7,215 |
| Capital Projects Funds | - | - | 121,396 | 121,396 |
| Total Fund Balances | <u>\$ 218,042</u> | <u>\$ 1,332,370</u> | <u>\$ 270,124</u> | <u>\$ 1,820,536</u> |

See accompanying notes to the financial statements

MONROE TOWNSHIP
LICKING COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

| | <u>General</u> | <u>Fire Special Levy</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|-------------------|------------------------------|---|---|
| Receipts | | | | |
| Property and Other Local Taxes | \$ 107,737 | \$ 541,244 | \$ 48,172 | \$ 697,153 |
| Charges for Services | - | 366,935 | 24,850 | 391,785 |
| Licenses, Permits and Fees | 9,251 | - | 16,400 | 25,651 |
| Intergovernmental | 145,758 | 140,655 | 216,820 | 503,233 |
| Earnings on Investments | 40,046 | - | 134 | 40,180 |
| Miscellaneous | 4,781 | 12,409 | 7,726 | 24,916 |
| Total Receipts | <u>307,573</u> | <u>1,061,243</u> | <u>314,102</u> | <u>1,682,918</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 191,414 | - | 20,605 | 212,019 |
| Public Safety | - | 915,859 | - | 915,859 |
| Public Works | 99,096 | - | 114,742 | 213,838 |
| Health | 8,198 | - | 36,108 | 44,306 |
| Capital Outlay | 60,124 | 368,634 | 168,804 | 597,562 |
| Total Disbursements | <u>358,832</u> | <u>1,284,493</u> | <u>340,259</u> | <u>1,983,584</u> |
| Receipts over (under) disbursements | (51,259) | (223,250) | (26,157) | (300,666) |
| Other Financing Sources (Uses) | | | | |
| Transfers-In | - | 28,901 | 44,410 | 73,311 |
| Transfers-Out | (59,759) | - | (13,552) | (73,311) |
| Total Other Financing Sources (Uses) | <u>(59,759)</u> | <u>28,901</u> | <u>30,858</u> | <u>-</u> |
| Net Change in Fund Balances | (111,018) | (194,349) | 4,701 | (300,666) |
| Fund Balances Beginning of Year | <u>329,060</u> | <u>1,526,719</u> | <u>265,423</u> | <u>2,121,202</u> |
| Fund Balances End of Year | <u>\$ 218,042</u> | <u>\$ 1,332,370</u> | <u>\$ 270,124</u> | <u>\$ 1,820,536</u> |

See accompanying notes to the financial statements

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - (BUDGET BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive/ (Negative) |
|---|------------------|------------------|-------------------|--|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 99,646 | \$ 99,646 | \$ 107,737 | \$ 8,091 |
| Licenses, Permits and Fees | 10,000 | 10,000 | 9,251 | (749) |
| Intergovernmental | 59,094 | 59,094 | 145,758 | 86,664 |
| Earnings on Investments | 10,000 | 10,000 | 40,046 | 30,046 |
| Miscellaneous | 3,510 | 106,224 | 4,781 | (101,443) |
| Total Receipts | 182,250 | 284,964 | 307,573 | 22,609 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 241,995 | 242,108 | 192,081 | 50,027 |
| Public Works | 74,105 | 110,060 | 99,096 | 10,964 |
| Health | 8,500 | 8,500 | 8,198 | 302 |
| Capital Outlay | 62,000 | 62,000 | 60,124 | 1,876 |
| Total Disbursements | 386,600 | 422,668 | 359,499 | 63,169 |
| Receipts Over (Under) Disbursements | (204,350) | (137,704) | (51,926) | 85,778 |
| Other Financing Sources (Uses) | | | | |
| Transfers-Out | - | (66,876) | (59,759) | 7,117 |
| Other Financing Uses | (123,000) | (59,130) | - | 59,130 |
| Total Other Financing Sources (Uses) | (123,000) | (126,006) | (59,759) | 66,247 |
| Net Change in Fund Balance | (327,350) | (263,710) | (111,685) | 152,025 |
| Fund Balance Beginning of Year | 329,060 | 329,060 | 329,060 | - |
| Fund Balance End of Year | \$ 1,710 | \$ 65,350 | \$ 217,375 | \$ 152,025 |

See accompanying notes to the financial statements

MONROE TOWNSHIP
 LICKING COUNTY, OHIO
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - (BUDGET BASIS)
 SPECIAL LEVY (FIRE) FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive/ (Negative) |
|---|--------------------|---------------------|---------------------|--|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$ 594,305 | \$ 594,305 | \$ 541,244 | \$ (53,061) |
| Charges for Services | 178,966 | 36,766 | 366,935 | 330,169 |
| Intergovernmental | 64,000 | 64,000 | 140,655 | 76,655 |
| Earnings on Investments | 11,000 | 11,000 | - | (11,000) |
| Miscellaneous | - | - | 12,409 | 12,409 |
| Total Receipts | 848,271 | 706,071 | 1,061,243 | 355,172 |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 1,535,660 | 1,574,264 | 976,734 | 597,530 |
| Capital Outlay | 747,519 | 702,457 | 373,034 | 329,423 |
| Total Disbursements | 2,283,179 | 2,276,721 | 1,349,768 | 926,953 |
| Receipts Over (Under) Disbursements | (1,434,908) | (1,570,650) | (288,525) | 1,282,125 |
| Other financing Sources (Uses) | | | | |
| Transfers-In | - | - | 28,901 | 28,901 |
| Other Financing Sources | (160,000) | (160,000) | - | 160,000 |
| Total Other Financing Sources (Uses) | (160,000) | (160,000) | 28,901 | 188,901 |
| Net Change in Fund Balance | (1,594,908) | (1,730,650) | (259,624) | 1,471,026 |
| Fund Balance Beginning of Year | 1,463,598 | 1,463,598 | 1,463,598 | - |
| Prior Year Encumbrances Appropriated | 63,121 | 63,121 | 63,121 | - |
| Fund Balance End of Year | \$ (68,189) | \$ (203,931) | \$ 1,267,095 | \$ 1,471,026 |

See accompanying notes to the financial statements

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

Monroe Township, Licking County, Ohio (the Township), is a body politic and corporate established in 1812 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 Fiscal Officer. The elected officials serve four year terms.

A. Primary Government

The Township consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, and fire protection. Police protection for the Township is provided by the Licking County Sheriff.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. There are no component units within the Township.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a *cash* basis of accounting. This *cash* basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *cash* basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *cash* basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its governmental activities. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

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

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Government-Wide Financial Statements

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

The statement of net assets presents the cash of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a *cash* basis or draws from the Township's general receipts.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund and Special Levy (Fire) Fund.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Levy (Fire) Fund - The Fire Fund is used to account for the proceeds of property tax revenues and charges for services to provide fire protection to the Township and other residents.

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

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

C. Basis of Accounting

The Township's financial statements are prepared using the *cash* basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

Investments of the cash management pool are presented on the financial statements as cash equivalents. During 2006 and 2005, the Township invested its cash management pool in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006. During 2006 and 2005, the Township invested its permanent fund monies to a certificate of deposit.

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

During 2006 and 2005 the Township invested in nonnegotiable certificates of deposits. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 were \$72,796 and \$40,046, respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted assets at year-end.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. 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.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for special purposes, future capital outlay and permanent funds for cemetery upkeep.

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

L. Fund Balance Reserves

The Township reserves any portion of fund balances which are not available for appropriation or which is legally segregated for a specific future use. There were no designations at year-end. Unreserved fund

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

balance indicates that portion of fund balance, which is available for appropriation in future periods. Reserves have been established for encumbrances.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. There were no such activities for the year.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and all major Special Revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the *cash* basis is that outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*cash* basis). The encumbrances outstanding at year end 2006 (budgetary basis) amounted to \$50,510 for the Special Levy Fire fund. The encumbrances outstanding at year end 2005 (budgetary basis) amounted to \$667 for the General fund and \$65,275 for the Special Levy Fire fund.

Note 4 – Deposits and Investments

State statutes classify deposits held by the Township into three categories.

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

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

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

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

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. The securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities, subject to a repurchase agreement, must exceed the value of the principal by 2% and be marked to market daily.

As of December 31, 2006 and 2005, the carrying amount of the Township's deposits was \$492,160 and \$700,204, respectively, as compared to bank balances of \$549,091 and \$760,634, respectively. Of the bank balances at December 31, 2006 and 2005, \$100,000 and \$100,000 respectively was on deposit and covered by federal depository insurance and in 2006 and 2005, respectively \$449,091 and \$660,634 were collateralized by a pool of securities maintained by the Township's financial institution but not in the

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Township's name.

| <u>Investment Type</u> | <u>Fair Value 12/31/2006</u> | <u>Fair Value 12/31/2005</u> | <u>Maturity</u> | <u>Rating (1)</u> |
|------------------------|----------------------------------|----------------------------------|-----------------|-------------------|
| STAR Ohio | \$1,126,337 | \$1,120,332 | Daily | AAAm |

(1) Standard & Poor's

Interest Rate Risk – the Ohio Revised Code generally limits security purchases to those that mature within five years of settlement.

Credit Risk – The Township's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on the individual securities do not exceed income generated from the remaining portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township has no investment policy dealing with custodial credit risk beyond the requirements of the State which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Concentration of Credit Risk – The Township places no limit on the amount the Township may invest in one issuer.

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

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 and 2005 represent the collection of 2005 and 2004 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. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Tangible personal property tax receipts in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property tax receipts in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006 and 2005, was \$13.90 and \$11.40, respectively per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which property tax receipts were based are as follows:

| | Year Ended December 31, 2006 | Year Ended December 31, 2005 |
|------------------------------|---------------------------------|---------------------------------|
| Real Property: | | |
| Residential and Agricultural | \$ 121,033,660 | \$ 106,460,190 |
| Commercial | 18,267,430 | 14,530,810 |
| Public Utility: | | |
| Real Property | -0- | -0- |
| Personal Property | 4,037,640 | 4,045,060 |
| Tangible: | | |
| Personal Property | <u>7,098,130</u> | <u>7,029,580</u> |
| Total Assessed Value | <u>\$ 150,436,860</u> | <u>\$ 132,065,640</u> |

Note 6 – Risk Management

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 for claims that occurred prior to January 1, 2006 and \$3,000,000 to \$13,000,000 for claims that occurring after January 1, 2006 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 an annual aggregate limit of \$10,000,000.

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 & 2005 was \$1,901,127 and \$1,712,113, respectively.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position - OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

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

The casualty coverage assets and retained earnings above include approximately \$12.1 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees 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 Township participates only in the traditional plan.

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. 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 and 2005, members were required to contribute 9 percent and 8.5 percent, respectively of their annual covered salaries and the Township's contribution rate for 2006 and 2005 was 13.70 percent and 13.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2006, 2005 and 2004 were \$24,342, \$21,505 and \$19,696, respectively. The full amount has been contributed for all years.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the Township is required to contribute 24 percent for firefighters for both years. Contributions are authorized by State statute. The Township's contributions to the Fund for firefighters were \$145,931 for the year ended December 31, 2006, \$114,478 for the year ended December 31, 2005 and \$91,961 for the year ended December 31, 2004. The full amount has been contributed for all years. The Township has no police officers.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with the traditional plan. 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 traditional plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.7 and 13.55 percent, respectively of covered payroll; 4.50 and 4.0 percent, respectively 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 (the latest information available), 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 6.3 percent

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

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 eight 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.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$7,995. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$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.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2006. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The number of participants eligible to receive health care benefits as of December 31, 2005, the date of the last actuarial valuation available, are 13,992 for police and 10,537 for firefighters. The amount that the Township contributed as the employer's share to pay post-employment benefits for 2006 and 2005 were \$47,123 and \$36,967, respectively.

The Fund's total health care expenses for the year ending December 31, 2005, the date of the last actuarial valuation was \$108,039,449, which was net of member contributions of \$55,271,881.

Note 9 - Debt

The Township had no outstanding debt during years 2006 and 2005.

Monroe Township, Licking County
Notes to the Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 - Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Township has implemented the cash basis of accounting described in note 2.

Note 11 - Change in Accounting Principle

For 2005 and 2006, the Township implemented GASB Statement No. 40 “Deposit and Investment Risk Disclosures.” GASB Statement No. 40 establishes disclosure requirements for investment credit risks, interest rate risk, deposit custodial risk and foreign currency risk.

The implementation of GASB Statement No. 40 did not affect the presentation of the financial statements of the Township.

Note 12 - Contingent Liabilities

The Township may be a defendant in various lawsuits. Although management cannot presently determine the outcome of these suits, it is the opinion of the Township legal counsel that the resolution of these matters will not materially adversely affect the Township’s financial condition.

Note 13 - Transfers

Interfund transfers for the years ended December 31, 2006 and 2005, consisted of the following:

| Fund | 2006 | | 2005 | |
|--|------------------|------------------|------------------|------------------|
| | Transfers Out | Transfers In | Transfers Out | Transfers In |
| General Fund | \$ 90,156 | \$ - | \$ 59,759 | \$ - |
| Motor Vehicle License Tax Fund | - | 389 | - | 378 |
| Gasoline Tax Fund | - | 34 | - | 18 |
| Road and Bridge Fund | 31,507 | - | 13,552 | - |
| Fire Special Levy Fund | - | 52,222 | - | 28,901 |
| Public Works Commission Project Fund | - | 63,013 | - | 40,383 |
| Misc. Capital Projects/Ladder Fund | - | 5,920 | - | 3,580 |
| Misc. Capital Projects/Fire Equipment Fund | - | 85 | - | 51 |
| Totals | <u>\$121,663</u> | <u>\$121,663</u> | <u>\$ 73,311</u> | <u>\$ 73,311</u> |

In the years ended December 31, 2006 and 2005 the Township made transfers of \$31,507 and \$13,552, respectively, from Road and Bridge Fund to the Public Works Commission Project Fund to match Issue II grant monies from Ohio Public Works. In the years ended December 31, 2006 and 2005 the Township also made transfers of \$90,156 and \$59,759, respectively, from General Fund to various funds. The Township complied with all applicable Ohio Revised Code and grant requirements.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Monroe Township, Licking County
9444 Woodhaven Rd.
Johnstown, Ohio 43351

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Licking County, Ohio (the "Township") as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 24, 2007. 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 Controls 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.

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 the cash basis of accounting 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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings, items 2006-MTLC-001 through 2006-MTLC-003 to be significant deficiencies in internal control over financial reporting.

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. We do not believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters, 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 that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-MTLC-003 and 2006-MTLC-004.

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

We noted certain matters that we have reported to management of the Township in a separate letter dated August 24, 2007.

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

Charles E. Harris & Associates, Inc.
August 24, 2007

**MONROE TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-MTLC-001 - SIGNIFICANT DEFICIENCY

During 2005, we noted that the Township's amounts reported as General Fund Appropriations on its budgetary statements did not equal the Annual Appropriations Resolution. While the differences were minor in amount, a review and comparison by the Township would have caught the differences and allowed the statements to have been corrected in a timely fashion.

We recommend that the Township review its financial statement information for correctness in addition to completeness. This will assist management in making appropriate financial decisions.

The Township will enter amounts from the Annual Appropriations Resolution into the UAN system and update with all supplemental appropriations.

FINDING NUMBER 2006-MTLC-002 – SIGNIFICANT DEFICIENCY

During 2005 and 2006, the Township Clerk did not properly post the budgeted receipts to the accounting system. Variances existed between the amounts on the certificates of estimated resources and the amounts posted to the accounting system as follows:

Budgeted Receipts for 2005:

| Fund | Budgeted Receipts Per the UAN system | Budgeted Receipts Per the Final Certificate of Estimated Resources | Variance |
|-------------------|---|--|-------------|
| General Fund | \$ 180,740 | \$ 284,964 | \$(104,224) |
| MVL | 8,700 | 12,384 | (3,684) |
| Gasoline Tax Fund | 52,200 | 67,168 | (14,968) |
| Road and Bridge | 59,182 | 54,230 | 4,952 |
| Cemetery | 63,000 | 54,450 | 8,550 |
| Fire | 881,427 | 706,071 | 175,356 |

**MONROE TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-MTLC-002 – (Continued)

Budgeted Receipts for 2006:

| Fund | Budgeted Receipts Per the UAN system | Budgeted Receipts Per the Final Certificate of Estimated Resources | Variance |
|------------------|---|--|-------------|
| General Fund | \$ 202,035 | \$ 223,853 | \$ (21,818) |
| MVL | 8,700 | 9,150 | (450) |
| Gasoline Tax | 60,050 | 73,282 | (13,232) |
| Road and Bridge | 54,487 | 66,533 | (12,046) |
| Cemetery | 60,000 | 41,250 | 18,750 |
| Fire | 1,146,200 | 1,176,507 | (30,307) |
| Capital Projects | 312,238 | 148,803 | 163,435 |

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget versus actual activity during 2005 and 2006. It was necessary to make audit adjustments to the 2005 and 2006 budgetary statements in order to present the certified amount of estimated receipts.

The Clerk will enter all amended certificates of revenue into the UAN system.

FINDING NUMBER 2006-MTLC-003 – NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised December 2006) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2005 and 2006, the Township recorded various intergovernmental grants as Miscellaneous receipts. The accounts were adjusted to reclassify to Intergovernmental receipts. The Township is in agreement.

**MONROE TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 and 2005**

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

FINDING NUMBER 2006-MTLC-003 – (Continued)

We recommend the Township follow the Ohio Township Handbook to properly classify its transactions.

The Clerk agrees and will categorize all intergovernmental grants properly in the future.

FINDING NUMBER 2006-MTLC-004 - NONCOMPLIANCE

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund not exceed total estimated fund resources from each fund as certified by the county budget commission. This section also provides that no appropriation measure shall become effective until the City obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Ohio Auditor of State Technical Bulletin No. 97-010 requires the testing of the budgetary section throughout the year. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances at the end of the year:

| | <u>Revenue plus Carryover Balances</u> | <u>Appropriations</u> | <u>Amount</u> |
|--------------------------|--|-----------------------|---------------|
| <u>2006</u> | | | |
| General Fund | \$ 441,895 | \$ 483,854 | \$ (41,959) |
| <u>2005</u> | | | |
| Special Levy (Fire) Fund | \$ 2,232,790 | \$ 2,436,721 | \$ (203,931) |

Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances at the beginning of the year:

| | | | |
|--------------------------|--------------|--------------|-------------|
| <u>2006</u> | | | |
| Special Levy (Fire) Fund | \$ 2,443,978 | \$ 2,494,981 | \$ (51,003) |
| <u>2005</u> | | | |
| Special Levy (Fire) Fund | \$ 2,374,990 | \$ 2,443,179 | \$ (68,189) |

We recommend that the Clerk monitor appropriations versus estimated resources during the year and modify as necessary to help avoid overspending.

Management agrees and has implemented procedures to monitor budgetary information.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the years ending December 31, 2004 and 2003, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

LICKING 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
OCTOBER 16, 2007**