

**MONROE TOWNSHIP, OHIO  
RICHLAND COUNTY**

**INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND DECEMBER 31, 2005





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Monroe Township  
2808 Tucker Road  
Lucas, Ohio 44843

We have reviewed the *Independent Auditors' Report* of Monroe Township, Richland County, prepared by Varney, Fink & 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.

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 Auditors' 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 Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 23, 2007

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**MONROE TOWNSHIP, OHIO  
RICHLAND COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

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**121 College Street  
Wadsworth, Ohio 44281  
330/336-1706 Fax 330/334-5118**

## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Monroe Township, Richland County

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

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (ie. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non- GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

**INDEPENDENT AUDITOR'S REPORT** (continued)

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, Richland County, as of December 31, 2006 and 2005, and its combined 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 Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.

Certified Public Accountants

August 29, 2007

**Monroe Township, Richland County**  
 Combined Statement of Receipts, Disbursements and  
 Changes in Fund Cash Balances - All Governmental Fund Types  
 For the Year Ended December 31, 2006

	General	Special Revenue	Total (Memorandum Only)
Receipts			
Taxes	\$44,103	\$540,859	\$584,962
Intergovernmental Receipts	41,901	134,199	176,100
Fines, Licenses and Permits	615	0	615
Interest	17,707	134	17,841
All Other Receipts	12,408	26,285	38,693
Total Receipts	<u>116,734</u>	<u>701,477</u>	<u>818,211</u>
Disbursements			
Current:			
General Government	77,962	311,861	389,823
Public Works	0	447,428	447,428
Health	19,025	3,380	22,405
Conservation - Recreation	0	5,007	5,007
Debt Service:			
Principal Retirement	0	66,079	66,079
Interest and Fiscal Charges	0	7,142	7,142
Total Disbursements	<u>96,987</u>	<u>840,897</u>	<u>937,884</u>
Total Receipts Over (Under) Disbursements	19,747	(139,420)	(119,673)
Fund Cash Balances, January 1, 2006	<u>68,995</u>	<u>427,971</u>	<u>496,966</u>
Fund Cash Balances, December 31, 2006	<u>\$88,742</u>	<u>\$288,551</u>	<u>\$377,293</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of the financial statements.



**Monroe Township, Richland County**  
 Combined Statement of Receipts, Disbursements and  
 Changes in Fund Cash Balances - All Governmental Fund Types  
 For the Year Ended December 31, 2005

	General	Special Revenue	Total (Memorandum Only)
Receipts			
Taxes	\$43,598	\$556,597	\$600,195
Intergovernmental Receipts	49,797	161,631	211,428
Fines, Licenses and Permits	726	0	726
Interest	10,319	69	10,388
All Other Receipts	15,354	53,629	68,983
Total Receipts	<u>119,794</u>	<u>771,926</u>	<u>891,720</u>
Disbursements			
Current:			
General Government	85,290	312,786	398,076
Public Works	0	192,032	192,032
Health	4,993	7,550	12,543
Conservation - Recreation	0	4,766	4,766
Capital Outlay	0	19,951	19,951
Debt Service:			
Principal Retirement	0	63,592	63,592
Interest and Fiscal Charges	0	9,630	9,630
Total Disbursements	<u>90,283</u>	<u>610,307</u>	<u>700,590</u>
Total Receipts Over Disbursements	29,511	161,619	191,130
Other Financing Sources (Uses)			
Transfers - In	0	30,890	30,890
Transfers - Out	0	(30,890)	(30,890)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	29,511	161,619	191,130
Fund Cash Balances, January 1, 2005	<u>39,484</u>	<u>266,352</u>	<u>305,836</u>
Fund Cash Balances, December 31, 2005	<u>\$68,995</u>	<u>\$427,971</u>	<u>\$496,966</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The accompanying notes are an integral part of the financial statements.

MONROE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Monroe Township, (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. The Township provides general governmental services, including road and cemetery maintenance, park operations and fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of 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 a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

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

C. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township classifies its funds into the following types:

**General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**Special Revenue Funds** - These funds are used to account for proceeds from specific sources (other than for capital projects) that are legally restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**Gasoline Tax Fund** - This fund receives gasoline taxes for maintaining and repairing Township roads.

**Fire Levy Fund** - This fund receives real estate and property tax revenue and other intergovernmental revenue to provide fire protection to Township residents.

MONROE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Permissive Sales Tax Fund – To account for monies derived from the County’s permissive sales tax. Monies are used for various road and public work projects.

Road and Bridge Fund - This fund receives gasoline and property taxes for constructing, maintaining and repairing Township roads and bridges.

D. Budgetary Process

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

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

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

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

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

E. 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.

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

MONROE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

2. **EQUITY IN POOLED CASH AND INVESTMENTS** (continued)

Deposits	2006	2005
Demand Deposits	\$113,159	\$167,806
Time Deposits	45,621	45,621
Total Deposits	158,780	213,427
Investments		
STAR Ohio	218,513	283,539
Total Deposits and Investments	\$377,293	\$496,966

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and December 31, 2005 was as follows:

2006 Budget vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,979	\$116,734	(\$50,245)
Special Revenue	1,079,581	701,477	(378,104)
Total	\$1,246,560	\$818,211	(\$428,349)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$166,979	\$96,987	\$69,992
Special Revenue	1,079,581	840,897	238,684
Total	\$1,246,560	\$937,884	\$308,676

MONROE TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

3. **BUDGETARY ACTIVITY** (continued)

2005 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$126,908	\$119,794	(\$7,114)
Special Revenue	859,195	808,269	(50,926)
Total	<u>\$986,103</u>	<u>\$928,063</u>	<u>(\$58,040)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$126,908	\$90,283	\$36,625
Special Revenue	772,203	646,650	125,553
Total	<u>\$899,111</u>	<u>\$736,933</u>	<u>\$162,178</u>

4. **PROPERTY TAX**

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

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

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

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

MONROE TOWNSHIP  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

5. **RETIREMENT SYSTEMS**

Employees belong to the Ohio Public Employees Retirement System (OPERS), OPERS is a cost-sharing, multiple-employer defined pension plan. This plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006 and 2005, OPERS members contributed 9.0% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equal to 13.70% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. **RISK MANAGEMENT**

The Township is a member of the Ohio Government Risk Management Plan. The Plan is an unincorporated non-profit association of its members for the purpose of providing its members a jointly administered self-insurance program. The Plan assumes the risk of loss minus the Township's deductible contribution. Risks covered by the Plan are comprehensive property and general liability, vehicles and public official's liability.

7. **DEBT**

The Township's debt obligations outstanding as of December 31, 2006 and 2005 consisted of the following:

	Interest Rate	Balance 12/31/2006	Balance 12/31/2005
Real Estate Acquisition Bond	3.83%	\$15,806	\$30,958
Fire Equipment Bonds	3.83%	38,886	76,152
Fire Equipment Bonds	3.94%	60,525	74,182
Total		\$115,217	\$181,296

MONROE TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005

7. **DEBT** (continued)

Annual debt amortization requirements, including interest of \$7,877, is scheduled as follows:

Years Ending December 31,	
2007	\$73,222
2008	16,624
2009	16,624
2010	<u>16,624</u>
Total	<u><u>\$123,094</u></u>

121 College Street  
Wadsworth, Ohio 44281  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Board of Trustees  
Monroe Township, Richland County

We have audited the accompanying financial statements of Monroe Township, Richland County (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 29, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatements, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of noncompliance as item 2006-001.

We also noted certain additional matters that we reported to management of the Township, in a separate letter dated August 29, 2007.

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

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

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

August 29, 2007

**MONROE TOWNSHIP, RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005**

Finding  
2006-001

Section 5705.41(B), Revised Code, requires that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2005, expenditures plus outstanding encumbrances exceeded appropriations in the following fund:

<u>2005</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
EMS Fund	\$48,877	\$62,819	(\$13,942)

The Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending.

Corrective Action:                      Contact Person:                      Brigette R. Banks, Fiscal Officer

In reference to finding #2006-001 expenditures plus outstanding encumbrances exceeded appropriations, in the future I will ensure that it does not happen again. I will make sure that all original amendments and appropriations are approved by the Monroe Township Board of Trustees.

**MONROE TOWNSHIP, RICHLAND COUNTY, OHIO**

**SCHEDULE OF PRIOR FINDINGS**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partial Corrected Significantly Different Corrective Action Taken, of Finding No Longer Valid, Explain</u>
2004-001	Expenditures plus outstanding encumbrances exceeded appropriations	No	Reissued as Finding Number 2006-001





Mary Taylor, CPA  
Auditor of State

**MONROE TOWNSHIP**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2007**