



Mary Taylor, CPA
Auditor of State

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

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Mary Taylor, CPA
Auditor of State

Monroe Township
Coshocton County
30221 County Road 401
Warsaw, Ohio 43844

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

September 26, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Coshocton County
30221 County Road 401
Warsaw, Ohio 43844

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Coshocton County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

During 2007 and 2006, the Township paid Trustee wages totaling \$15,229 and \$14,407, respectively, from the Gas Fund without supporting documentation as required by Ohio Rev. Code Section 505.24(C) and 2004 Op. Att'y Gen. No. 2004-036. Had the Township agreed to these adjustments, the effect would have resulted in negative General Fund cash balances at December 31, 2007 and 2006 totaling \$18,331 and \$9,287, respectively.

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

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 September 26, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

September 26, 2008

**MONROE TOWNSHIP
COSHOCTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$27,267	\$1,880	\$29,147
Charges for Services	8,418	0	8,418
Intergovernmental	15,413	100,734	116,147
Earnings on Investments	122	175	297
Miscellaneous	7,168	0	7,168
	<u>58,388</u>	<u>102,789</u>	<u>161,177</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	27,300	45,609	72,909
Public Works	17,802	41,295	59,097
Health	5,100	0	5,100
Capital Outlay	2,001	0	2,001
Debt Service:			
Redemption of Principal	0	8,210	8,210
Interest and Other Fiscal Charges	0	1,478	1,478
	<u>52,203</u>	<u>96,592</u>	<u>148,795</u>
Total Cash Disbursements			
Total Cash Receipts Over Cash Disbursements	<u>6,185</u>	<u>6,197</u>	<u>12,382</u>
Fund Cash Balances, January 1	<u>5,120</u>	<u>4,992</u>	<u>10,112</u>
Fund Cash Balances, December 31	<u><u>\$11,305</u></u>	<u><u>\$11,189</u></u>	<u><u>\$22,494</u></u>

The notes to the financial statements are an integral part of this statement.

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$24,016	\$1,868	\$25,884
Charges for Services	6,934	0	6,934
Intergovernmental	16,410	109,218	125,628
Earnings on Investments	195	211	406
Miscellaneous	1,320	0	1,320
	<u>48,875</u>	<u>111,297</u>	<u>160,172</u>
Cash Disbursements:			
Current:			
General Government	30,925	49,969	80,894
Public Works	13,853	68,589	82,442
Health	4,906	0	4,906
Capital Outlay	100	0	100
Debt Service:			
Redemption of Principal	0	8,210	8,210
Interest and Other Fiscal Charges	0	1,697	1,697
	<u>49,784</u>	<u>128,465</u>	<u>178,249</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(909)</u>	<u>(17,168)</u>	<u>(18,077)</u>
Fund Cash Balances, January 1	<u>6,029</u>	<u>22,160</u>	<u>28,189</u>
Fund Cash Balances, December 31	<u>\$5,120</u>	<u>\$4,992</u>	<u>\$10,112</u>

The notes to the financial statements are an integral part of this statement.

**MONROE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Monroe Township, Coshocton County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Walhonding Valley Fire District to provide fire services and Warsaw EMS to provide ambulance services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township maintains a checking account and holds a certificate of deposit, which are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**MONROE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Special Revenue Funds

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**MONROE TOWNSHIP
COSHOCOTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$16,209	\$10,112
Certificates of deposit	6,285	0
Total deposits	\$22,494	\$10,112

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,206	\$58,388	\$17,182
Special Revenue	103,853	102,789	(1,064)
Total	\$145,059	\$161,177	\$16,118

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,327	\$52,203	(\$5,876)
Special Revenue	108,844	96,592	12,252
Total	\$155,171	\$148,795	\$6,376

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,980	\$48,875	\$9,895
Special Revenue	112,472	111,297	(1,175)
Total	\$151,452	\$160,172	\$8,720

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,010	\$49,784	(\$4,774)
Special Revenue	123,479	128,465	(4,986)
Total	\$168,489	\$178,249	(\$9,760)

**MONROE TOWNSHIP
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property 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.

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note	\$24,631	5%

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

	Promissory
Year ending December 31:	<u>Note</u>
2008	\$9,565
2009	9,113
2010	9,663
Total	<u><u>\$28,341</u></u>

In July 2005, the Township obtained a loan in the amount of \$41,051 for the purpose of purchasing of backhoe with the loan maturing in 2010.

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

6. Retirement Systems

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	2007	2006
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**MONROE TOWNSHIP
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Related Party Transactions

Current Trustee, Marlin Moore (term began January 1, 2006) is the owner of Moore's Lawn and Garden. During both 2007 and 2006, Monroe Township engaged in periodic business with Moore's Lawn and Garden. The Township paid Moore's Lawn and Garden \$420.23 in 2007 for various materials and supplies and \$6,725.35 in 2006 for a lawn tractor and various materials and supplies. Although check payments to Moore's Lawn and Garden were not signed by Trustee Moore, the minute records document that Mr. Moore did not abstain from approving monthly bills, which included payments to Moore's Lawn and Garden.

Additionally, current Trustee, Jerry Hagy (term began January 1, 2004) is the owner of Jerry Hagy, LTD. During 2007 and 2006, Monroe Township engaged in periodic business with Jerry Hagy, LTD. The Township paid Jerry Hagy, LTD \$575.39 and \$63.50 for vehicle repair services during 2007 and 2006, respectively. Although check payments to Jerry Hagy, LTD were not signed by Trustee Hagy, the minute records document that Mr. Hagy did not abstain from approving monthly bills, which included payments to Jerry Hagy, LTD.

9. Noncompliance

Contrary to Ohio Rev. Code Section 5705.41 (B), budgetary expenditures exceeded the appropriations at the legal level of budgetary control in the FEMA fund by \$11,152 for the year ended December 31, 2007. In addition, budgetary expenditures exceeded appropriations at the legal level of budgetary control in the General Fund by \$5,876 and \$4,774 for the years ended December 31, 2007 and 2006, respectively.

Contrary to Ohio Rev. Code Section 505.24(C), supporting documentation was not maintained to justify Trustee wages paid from the Gas Fund.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Monroe Township
Coshocton County
30221 County Road 401
Warsaw, Ohio 43844

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Coshocton County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated September 26, 2008 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 and where the Trustee wages were paid from the Gas Fund without supporting documentation and not adjusted accordingly by the Township. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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*.

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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
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We consider Finding Numbers 2007-001 through 2007-002 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies, and accordingly, would not necessary disclose all significant deficiencies that are also material weaknesses. However, we believe Finding Numbers 2007-001 through 2007-002 are also material weaknesses.

We also noted certain matters that we reported to the Township's management in a separate letter dated September 26, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-002 through 2007-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated September 26, 2008.

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 intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 26, 2008

**MONROE TOWNSHIP
COSHOCOTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications as follows:

During 2007, Monroe Township misclassified \$8,210 in debt principal payments as Interest and Other Fiscal Charges rather than Redemption of Principal. Also, the Township did not properly reflect all of the expenditures for the chip and seal project and the receipts collected from the residents for their portion of the project. As a result, revenues and expenditures in the General Fund were understated by \$8,418. Additionally, an adjusting entry was made to increase the General Fund expenditures and reduce the Special Revenue Gasoline Tax Fund expenditures by \$15,229 for the Trustee's wages that were not properly supported by adequate documentation as further discussed in Finding 002.

During 2006, the Township misclassified \$8,210 in debt principal payments as Interest and Other Fiscal Charges rather than Redemption of Principal. Also, the Township did not properly reflect all of the expenditures for the chip and seal project and the receipts collected from the residents for their portion of the project. As a result, revenues and expenditures in the General Fund were understated by \$6,934. Additionally, an adjusting entry was made to increase the General Fund expenditures and reduce the Special Revenue Gasoline Tax Fund expenditures by \$14,407 for the Trustee's wages that were not properly supported by adequate documentation as further discussed in Finding 002.

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

Official's Response: The Coshocoton County Prosecuting Attorney, who is counsel for the Board of Trustees, advises that he is unaware of any statutory authority for the State Auditor to require transfers of funds from the general revenue fund to special revenues/gasoline fund, given the facts at hand. Although there may be a lack of documentation, sworn testimony would show that the Board of Trustees performed work consistent with the expenditures from the special revenues/gasoline fund. A transfer of funds as requested by the State Auditor would also be contrary to the authority of the Township to utilize the special revenues/gasoline fund for the maintenance of township roads. Thus, the State Auditor's request appears to also contravene the law making authority of the General Assembly.

AOS Conclusion: The opinion of the Coshocoton County Prosecutor does not address the finding. Ohio Rev. Code 505.24 (C) and 2004 Op. Att'y Gen. No. 2004-036 require trustees to document amounts chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The Township did not maintain this documentation; therefore, findings for adjustment were issued during 2007 and 2006 to reclassify trustee salary allocations from the Special Revenue Gas Fund to the General Fund.

FINDING NUMBER 2007-002

Material Weakness/Material Noncompliance

Ohio Rev. Code Section 505.24 (C) sets forth the method by which Township trustees' compensation should be allocated. This section states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the Township general fund or from funds in proportions as the Board may specify by resolution.

In addition, **2004 Op. Att'y Gen. No. 2004-036** requires the trustees to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

During the audit for the years ending 2005 and 2004, the Township was notified of this requirement in a management letter comment.

Although the Township passed a resolution as required, supporting documentation in the form of time journals were not documented during 2007 and 2006 to justify the wages in the amount of \$15,229 and \$14,407, respectively, paid from the Gas Fund for the Trustee's wages. As documentation was not maintained, the entire salaries should have been paid from the General Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund and in favor of the Gas Fund totaling \$29,636.

Official's Response: We did not receive a response to this finding.

FINDING NUMBER 2007-003

Material Noncompliance

Ohio Rev. Code Section 2921.42(A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code Section 2921.42(A)(4) states that no public official shall knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

Pursuant to **Ohio Rev. Code Section 2921.42(G)**, **Section 2921.42** does not apply to a public contract in which a trustee in a township with a population of five thousand or less in its unincorporated area, a member of the township trustee's family, or one of the township trustee's business associates has an interest, if all of the following apply:

- The subject of the public contract is necessary supplies or services for the township and the amount of the contract is less than five thousand dollars per year;
- The supplies or services are being furnished to the township as part of a continuing course of dealing established before the township trustee held that office with the township;
- The treatments accorded the township is either preferential to or the same as that accorded other customers or clients in similar transactions; and
- The entire transaction is conducted with full knowledge by the township of the interest of the township trustee, member of the township trustee's family, or the township trustee's business associate.

Ohio Rev. Code Section 102.03(D) states that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 511.13 prohibits a township trustee from having an interest in any contract entered into by the board.

Current Trustee, Marlin Moore (term began January 1, 2006) is the owner of Moore's Lawn and Garden. During both 2007 and 2006, Monroe Township engaged in periodic business with Moore's Lawn and Garden. The Township paid Moore's Lawn and Garden \$420.23 in 2007 for various materials and supplies and \$6,725.35 in 2006 for a lawn tractor and various materials and supplies. Although check payments to Moore's Lawn and Garden were not signed by Trustee Moore, the minute records document that Mr. Moore did not abstain from approving monthly bills, which included payments to Moore's Lawn and Garden.

Additionally, current Trustee, Jerry Hagy (term began January 1, 2004) is the owner of Jerry Hagy, LTD. During 2007 and 2006, Monroe Township engaged in periodic business with Jerry Hagy, LTD. The Township paid Jerry Hagy, LTD \$575.39 and \$63.50 for vehicle repair services during 2007 and 2006, respectively. Although check payments to Jerry Hagy, LTD were not signed by Trustee Hagy, the minute records document that Mr. Hagy did not abstain from approving monthly bills, which included payments to Jerry Hagy, LTD.

This matter will be referred to the Ohio Ethics Commission.

FINDING NUMBER 2007-003 (Continued)

Official's Response: At no time was the Township showing preferential buying practices toward Moore's Law and Garden or Jerry Hagy, LTD.

In the future the Trustees will continue to not sign any check for their business and will abstain from any motion to pay the check.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2007, object level expenditures exceeded appropriations within the following fund:

Fund	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund - Public Works	\$46,327	\$52,203	(\$5,876)

At December 31, 2006, object level expenditures exceeded appropriations within the following funds:

Fund	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General Fund - Public Works	45,010	49,784	(4,774)
Special Revenue FEMA Fund - Public Works	10,800	21,952	(11,152)

The actual expenditures in the General Fund reflect the adjustments for the Township's chip and seal projects; however, the trustee salary allocation adjustments of \$15,229 in 2007 and \$14,407 in 2006 disclosed as Schedule of Finding item 2007-003 were excluded from this citation.

The Fiscal Officer should ensure that appropriation modifications are submitted to and approved by the Board of Trustees. The Fiscal Officer should also frequently compare actual expenditures to appropriations at the object level to avoid overspending. This will help strengthen the Township's ability to effectively monitor actual expenditures versus appropriations.

Official's Response: The Special Revenue FEMA Fund was approved by the County Auditor on September 15, 2006, with the Amendment No. 2 of the Certificate of Funds. The documentation for this can be found in the notes and minutes of October 2006. The Coshocton County Auditor also has it on record.

AOS Conclusion: The Township's response pertains to amending certificates of estimated resources and does not address the finding. The Township failed to amend its annual appropriation measure during 2007 and 2006. As a result, expenditures exceeded appropriations. Appropriation measures may be amended or supplemented under the authority of Ohio Rev. Code Section 5705.40 if the Township complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations against them.

**MONROE TOWNSHIP
COSHOCTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41 (D) – proper certification of funds prior to obligation	Yes	Corrected.



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

COSHOCTON 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
DECEMBER 2, 2008**