



Mary Taylor, CPA
Auditor of State

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

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Mary Taylor, CPA
Auditor of State

Monroe Township
Muskingum County
9700 Edgemoor Road
New Concord, Ohio 43762

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

October 12, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Muskingum County
9700 Edgemoor Road
New Concord, Ohio 43762

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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.

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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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Monroe Township, Muskingum County, Ohio, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8, the Township is experiencing financial difficulties. Managements plan in regards to these financial difficulties is described in Note 8 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 October 12, 2009, 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

October 12, 2009

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts				
Property & Other Local Taxes	\$ 14,312	\$ 13,772	\$ 5,034	\$ 33,118
Licenses, Permits & Fees	1,038			1,038
Intergovernmental Revenue	18,835	101,777		120,612
Earnings on Investments	25	25		50
Miscellaneous	600	82,216		82,816
Total Cash Receipts	<u>34,810</u>	<u>197,790</u>	<u>5,034</u>	<u>237,634</u>
Cash Disbursements				
Current:				
General Government	37,547	1,950		39,497
Public Safety		7,080		7,080
Public Works	106	134,789		134,895
Health	843			843
Capital Outlay		82,727		82,727
Debt Service:				
Redemption of Principal		10,316	3,874	14,190
Interest & Other Fiscal Charges		1,406	1,160	2,566
Total Cash Disbursements	<u>38,496</u>	<u>238,268</u>	<u>5,034</u>	<u>281,798</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,686)</u>	<u>(40,478)</u>	<u>0</u>	<u>(44,164)</u>
Other Financing Receipts & (Disbursements):				
Transfers-In		625		625
Transfers-Out		(625)		(625)
Other Financing Uses	(791)			(791)
Total Other Financing Receipts/(Disbursements)	<u>(791)</u>	<u>0</u>	<u>0</u>	<u>(791)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,477)	(40,478)	0	(44,955)
Fund Cash Balances, January 1	<u>8,009</u>	<u>51,491</u>		<u>59,500</u>
Fund Cash Balances, December 31	<u>\$ 3,532</u>	<u>\$ 11,013</u>	<u>\$ 0</u>	<u>\$ 14,545</u>

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

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts				
Property & Other Local Taxes	\$ 14,108	\$ 14,268	\$ 5,034	\$ 33,410
Intergovernmental Revenue	19,634	105,844		125,478
Earnings on Investments	60	95		155
Miscellaneous	60	75		135
	<u>33,862</u>	<u>120,282</u>	<u>5,034</u>	<u>159,178</u>
Total Cash Receipts				
	<u>33,862</u>	<u>120,282</u>	<u>5,034</u>	<u>159,178</u>
Cash Disbursements				
Current:				
General Government	28,139			28,139
Public Safety		7,375		7,375
Public Works	9	97,890		97,899
Human Services		2,786		2,786
Debt Service:				
Redemption of Principal		9,828	3,695	13,523
Interest & Other Fiscal Charges		1,894	1,339	3,233
	<u>28,148</u>	<u>119,773</u>	<u>5,034</u>	<u>152,955</u>
Total Cash Disbursements				
	<u>28,148</u>	<u>119,773</u>	<u>5,034</u>	<u>152,955</u>
Total Cash Receipts Over/(Under) Cash Disbursements	5,714	509	0	6,223
Fund Cash Balances, January 1	<u>2,295</u>	<u>50,982</u>		<u>53,277</u>
Fund Cash Balances, December 31	<u><u>\$ 8,009</u></u>	<u><u>\$ 51,491</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 59,500</u></u>

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

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 the Monroe Township, Muskingum 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, cemetery maintenance, fire protection and emergency medical. The Township contracts with the Adamsville Volunteer Fire Department to provide fire and ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 7 to the financial statements provides additional information for these entities.

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. Deposits and Investments

The Township values certificate of deposits at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

2. Special Revenue Funds

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

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund was established to service the bond anticipation notes obtained for the construction of a building.

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.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$14,545	\$59,500

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,424	\$34,810	\$386
Special Revenue	115,489	198,415	82,926
Debt Service	16,756	5,034	(11,722)
Total	\$166,669	\$238,259	\$71,590

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$42,433	\$39,287	\$3,146
Special Revenue	166,980	238,893	(71,913)
Debt Service	0	5,034	(5,034)
Total	\$209,413	\$283,214	(\$73,801)

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,840	\$33,862	\$1,022
Special Revenue	75,704	120,282	44,578
Debt Service	16,756	5,034	(11,722)
Total	\$125,300	\$159,178	\$33,878

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,115	\$28,148	\$6,967
Special Revenue	130,598	119,773	10,825
Debt Service	0	5,034	(5,034)
Total	\$165,713	\$152,955	\$12,758

Contrary to Ohio Rev. Code Section 5705.41(B), we noted funds that had expenditures that exceeded appropriations at the legal level of control.

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.

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, 2008 was as follows:

	Principal	Interest Rate
Public Finance Lease Loan - Truck	\$22,167	5.35%
Bond Anticipation Note	19,694	4.91%
Total	\$41,861	

The public finance lease loan was issued to finance the purchase of a 2004 International truck to be used for Township road maintenance. The \$37,000 bond anticipation note was used to acquire and construct a Township garage building. The truck loan was collateralized by the 2004 International truck.

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt (Continued)

The \$37,000 bond anticipation note had a \$22,468 balloon payment due at November 2009. On March 3, 2009, the Trustees passed a Resolution to amortize the balloon payment through November 2013 at 4.21% by mutual agreement with the bank that is holding the note.

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

Year ending December 31:	Truck Loan	BAN-Building
2009	\$11,772	\$22,468
2010	11,269	
Total	\$23,041	\$22,468

6. Retirement System

The Township's elected 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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10.0% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14.0% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

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

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2006	\$3,624
2007	\$2,786
2008	\$3,101

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Financial Difficulties

The Township's General Fund carries very small positive cash balance. The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund.

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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
Muskingum County
9700 Edgemoor Road
New Concord, Ohio 43762

To the Township Board of Trustees:

We have audited the financial statements of Monroe Township, Muskingum County, Ohio (the Township), as of and for the year ended December 31, 2008 and 2007, and have issued our report thereon dated October 12, 2009, 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 wherein we noted this Township is experiencing financial difficulties. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* consider 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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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.

We consider findings 2008-001, 2008-003 and 2008-004 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 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 material weaknesses. We believe of the significant deficiencies described above, finding numbers 2008-001 and 2008-004 are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 12, 2009.

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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2008-001, 2008-002 and 2008-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 12, 2009.

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



Mary Taylor, CPA
Auditor of State

October 12, 2009

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 5705.09(C) requires each subdivision to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity.

The Township paid principal and interest payments on a bond anticipation note from the Road and Bridge Fund in 2007 and from the Miscellaneous Special Revenue Fund in 2008. The County Auditor documented on the tax settlement sheets the amount to be withheld to pay the principal and interest amount. The Fiscal Officer posted these receipts into the Road & Bridge Fund in 2007 and the Miscellaneous Special Revenue Fund in 2008 and made the corresponding debt payment from these funds. The debt instrument drafted by bond counsel, under item (F)(3), requires the use of a debt service fund. The 2008 and 2007 financial statements have been adjusted to reflect the revenues and expenditures pertaining to the bond anticipation notes in a debt service fund.

We recommend the Township create a debt service fund to account for the receipts and expenditures pertaining to the bond anticipation note.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated.

At December 31, 2007, the following fund reflected expenditures which exceeded appropriations at the legal level of control:

Fund/Function/Object	Appropriations	Expenditures	Variance
Debt Service Fund	\$0	\$5,034	(\$5,034)

At December 31, 2008, the following funds reflected expenditures which exceeded appropriations at the legal level of control:

Fund/Function/Object	Appropriations	Expenditures	Variance
Gas Tax Fund	\$121,145	\$197,615	(\$76,470)
Debt Service Fund	\$0	\$5,034	(\$5,034)

We recommend the Township monitor all fund expenditures at the legal level of control to ensure expenditures remain within their respective budgeted amounts. The variances in the Debt Service Fund are a result of audit adjustments made to reflect debt payments in a debt service fund.

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2008-003

Noncompliance Citation and Significant Deficiency

Ohio Rev. Code Section 5705.10(C) requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purposes.

During 2008, the Fiscal Officer incorrectly posted a check from the County Auditor for local government monies to the 2011 Motor Vehicle License Tax Fund, in the amount of \$1,038 instead of posting to the General Fund, in the amount of \$1,038.

We recommend the Fiscal Officer review revenue postings for accuracy. The Fiscal Officer should review Uniform Accounting Network—Accounting Manual Appendix A, Township Chart of Accounts for appropriate revenue code descriptions. The Fiscal Officer made the adjustment to the accompanying financial statements and the UAN accounting system.

FINDING NUMBER 2008-004

Material Weakness

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 with finance-related legal and contractual requirements and prepare financial statements.

In 2008 and 2007, taxes and intergovernmental receipts were not always posted to the correct receipt classifications, based on the source of the receipt. Posting receipts to improper classifications result in inaccurate financial information being presented to the Board of Trustees. The Auditor of State, with management's approval, made twenty-four reclassification entries to the accompanying financial statements to accurately reflect the proper classification of receipts.

We recommend the Fiscal Officer review guidance within the Uniform Accounting Network Accounting Manual under Appendix A - Township Chart of Accounts. This guidance will allow the Fiscal Officer to make proper postings to revenue account classifications based on the source of the revenue.

Officials' Response:

The official's chose not to respond.

**MONROE TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-01	Bank Statement Reconciliations	Yes	
2006-02	Written Policies and Procedures	Yes	
2006-03	Meeting Minutes	No	Not Corrected. Repeated in Management Letter
2006-04	Absence of Documentation Concerning Expenditures	No	Not Corrected. Repeated in Management Letter
2006-05	Absence of Documentation Concerning Receipts	Yes	
2006-06	Payment of Bills	Yes	
2006-07	Documentation Retention	Yes	
2006-08	Purchase Order Procedures	Yes	
2006-09	Appropriations in Excess of Available Funds	Yes	
2006-10	Estimated Receipts	Yes	
2006-11	Appropriation Procedures	Yes	
2006-12	Expenditures in Excess of Appropriations	No	Not Corrected. Repeated as Finding 2008-002



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 5, 2009**