

**MONROE TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Monroe Township
5207 TR 257
Millersburg, OH 44654

We have reviewed the *Independent Accountants' Report* of Monroe Township, Holmes County, prepared by Knox & Knox, for the audit period January 1, 2005 to 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 Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 15, 2008

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MONROE TOWNSHIP
HOLMES COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Monroe Township
Holmes County
5207 TR 257
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Holmes County, Ohio, (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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, 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 its 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 accounting principles generally accepted in the United States of America, 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. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The 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.

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.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Monroe Township, Holmes County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 March 21, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with 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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Knox & Knox

Orrville, Ohio
March 21, 2008

MONROE TOWNSHIP
HOLMES 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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Local Taxes	\$13,728	\$78,704	\$92,432
Intergovernmental	39,261	111,786	151,047
Charges for Services		17,313	17,313
Earnings on Investments	1,310	225	1,535
Other Revenue	5,507		5,507
Total Cash Receipts	59,806	208,028	267,834
CASH DISBURSEMENTS			
Current:			
General Government	41,123	3,383	44,506
Public Works	10,794	177,795	188,589
Health	5,982		5,982
Conservation	5,166	2,421	7,587
Debt Service			
Redemption of Principal		7,979	7,979
Interest and Fiscal Charges		907	907
Capital Outlay		37,214	37,214
Total Cash Disbursements	63,065	229,699	292,764
Total Cash Receipts Over/(Under) Cash Disbursements	(3,259)	(21,671)	(24,930)
Cash Fund Balances, January 1	43,611	29,586	73,197
CASH FUND BALANCES, DECEMBER 31	\$40,352	\$7,915	\$48,267
Reserves for Encumbrances	\$45	\$262	\$307

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

MONROE TOWNSHIP
HOLMES COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
CASH RECEIPTS:			
Local Taxes	\$12,804	\$74,646	\$87,450
Intergovernmental	22,463	139,748	162,211
Charges for Services		16,975	16,975
Earnings on Investments	894	145	1,039
Other Revenue	3,772		3,772
Total Cash Receipts	39,933	231,514	271,447
CASH DISBURSEMENTS			
Current:			
General Government	29,949		29,949
Public Safety	1,534	162,672	164,206
Public Works	5,983		5,983
Health		24,382	24,382
Debt Service:			
Redemption of Principal		7,672	7,672
Interest and Fiscal Charges		1,214	1,214
Capital Outlay		46,327	46,327
Total Cash Disbursements	37,466	242,267	279,733
Total Cash Receipts Over/(Under) Cash Disbursements	2,467	(10,753)	(8,286)
Cash Fund Balances, January 1	41,144	40,339	81,483
CASH FUND BALANCES, DECEMBER 31	\$43,611	\$29,586	\$73,197
Reserves for Encumbrances	\$82	\$262	\$344

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

MONROE TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Monroe Township, Holmes County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance. Fire protection and emergency medical services are provided by the Western Holmes County Fire District.

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 paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. **CASH**

Certificates of deposit 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. **Special Revenue Funds**

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

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

MONROE TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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

D. **FUND ACCOUNTING** (continued)

2. **Special Revenue Funds** (continued)

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 to pay for constructing, maintaining, and repairing Township roads.

3. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital funds.

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 department, division or office 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.

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 carried over and need not be reappropriated in the subsequent year.

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

F. **PROPERTY, PLANT AND EQUIPMENT**

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

MONROE TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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

G. **ACCUMULATED LEAVE**

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

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

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

	2006	2005
Demand deposits	\$48,267	\$73,197

Deposits are insured by the Federal Depository Insurance Corporation.

3. **BUDGETARY ACTIVITY**

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

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,598	\$59,806	(\$6,792)
Special Revenue	235,877	208,028	(27,849)
Total	\$302,475	\$267,834	(\$34,641)

2006 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,627	\$63,110	\$1,517
Special Revenue	238,053	229,961	8,092
Total	\$302,680	\$293,071	\$9,609

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,659	\$39,933	(\$1,726)
Special Revenue	181,285	231,514	50,229
Total	\$222,944	\$271,447	\$48,503

MONROE TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. **BUDGETARY ACTIVITY** (continued)

2005 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,737	\$37,548	\$3,189
Special Revenue	240,100	242,529	(2,429)
Total	\$280,837	\$280,077	\$760

Contrary to Ohio law, appropriations exceeded estimated resources in the Special Revenue Fund, and budgetary expenditures exceeded appropriations in the Special Revenue Fund during 2005.

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 for 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 owner, 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, 2006 was as follows:

	Principal	Interest Rate
Commercial Note	\$14,705	4%

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

For Year Ending December 31	Commercial Loan		
	Principal	Interest	Total
2007	\$8,298	\$588	\$8,886
2008	6,407	332	6,739
	\$14,705	\$920	\$15,625

MONROE TOWNSHIP
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

6. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Property; and
- Inland Marine.

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KNOX & KNOX

Accountants and Consultants

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

Monroe Township
Holmes County
5207 TR 257
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Holmes County, Ohio (the Board) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated March 21, 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. 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 basis for designing our audit procedures in order to express our opinions 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we noted other matters that we reported to the Township's management in a separate letter dated March 21, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Township's basic 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 two instances of noncompliance we must report under *Government Auditing Standards* which is shown in the accompanying schedule as Finding 2006-01 and Finding Number 2006-02.

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

KNOX & KNOX

Orrville, Ohio
March 21, 2008

MONROE TOWNSHIP
HOLMES COUNTY

SCHEDULE OF AUDIT FINDING
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-01

Ohio Revised Code Section 5705.39 requires that total appropriations not exceed estimated resources. During 2005, appropriations exceed estimated resources in the Special Revenue Fund type.

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
Special Revenue	\$240,100	\$221,564	(\$18,536)

Client Response: None

FINDING NUMBER 2006-02

Ohio Revised Code Section 5705.41 (d) requires that budgetary expenditures shall not exceed appropriations. During, 2005, budgetary expenditures exceeded appropriations in the Special Revenue Fund type.

	<u>Appropriations</u>	<u>Budgeted Expenditures</u>	<u>Variance</u>
Special Revenue	\$240,100	\$242,529	(\$2,429)

Client Response: None



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

HOLMES COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 29, 2008**