

**MONROE TOWNSHIP  
HOLMES COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2008 - 2007**





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Accountants' Report* of Monroe Township, Holmes County, prepared by Knox & Knox, for the audit period January 1, 2007 through December 31, 2008. 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

January 15, 2010

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MONROE TOWNSHIP  
HOLMES COUNTY

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# KNOX & KNOX

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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, 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 *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, 2008 and 2007. In addition to the accompanying financial statements present for 2008 and 2007, 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, 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 fund cash balances of Monroe Township, Holmes County, as of December 31, 2008 and 2007, 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 December 14, 2009, 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  
December 14, 2009

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, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>CASH RECEIPTS:</b>			
Property and Other Local Taxes	\$15,996	\$146,962	\$162,958
Charges for Services		21,583	21,583
Intergovernmental	23,147	100,056	123,203
Earnings on Investments	61	106	167
Other Revenue	4,543	104	4,647
Total Cash Receipts	43,747	268,811	312,558
<b>CASH DISBURSEMENTS</b>			
Current:			
General Government	38,719	9,905	48,624
Public Works	4,250	160,567	164,817
Health	5,983		5,983
Capital Outlay	14,000	64,785	78,785
Debt Service			
Redemption of Principal		27,476	27,476
Interest and Fiscal Charges		9,430	9,430
Total Cash Disbursements	62,952	272,163	335,115
Total Cash Receipts Over/(Under) Cash Disbursements	(19,205)	(3,352)	(22,557)
Cash Fund Balances, January 1	19,796	7,198	26,994
<b>CASH FUND BALANCES, DECEMBER 31</b>	<b>\$591</b>	<b>\$3,846</b>	<b>\$4,437</b>

*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, 2007

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>CASH RECEIPTS:</b>			
Local Taxes	\$15,096	\$142,971	\$158,067
Charges for Services		10,618	10,618
Intergovernmental	23,195	219,342	242,537
Earnings on Investments	655	208	863
Other Revenue	2,439		2,439
Total Cash Receipts	41,385	373,139	414,524
<b>CASH DISBURSEMENTS</b>			
Current:			
General Government	39,890	5,505	45,395
Public Works	9,065	206,767	215,832
Health	5,983		5,983
Capital Outlay	7,000	285,231	292,231
Total Cash Disbursements	61,938	497,503	559,441
Total Cash Receipts Over/(Under) Cash Disbursements	(20,553)	(124,364)	(144,917)
<b>OTHER FINANCING RECEIPTS/DISBURSEMENTS</b>			
Sale of Note		123,647	123,647
Other Uses	(3)		(3)
Total Other Financing Receipts/Disbursements	(3)	123,647	123,644
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing	(20,556)	(717)	(21,273)
Cash Fund Balances, January 1	40,352	7,915	48,267
<b>CASH FUND BALANCES, DECEMBER 31</b>	<b>\$19,796</b>	<b>\$7,198</b>	<b>\$26,994</b>

*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, 2008 AND 2007

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, 2008 AND 2007

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.

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 within each the amount appropriated for personal services. 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 cancelled and need to be reappropriated in the subsequent year.

A summary of 2008 and 2007 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.

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

MONROE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$4,437	\$26,994

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

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

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,988	\$43,747	\$3,759
Special Revenue	241,600	268,811	27,211
Total	\$281,588	\$312,558	\$30,970

2008 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,022	\$62,952	\$1,070
Special Revenue	280,261	272,163	8,098
Total	\$344,283	\$335,115	\$9,168

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,810	\$41,385	(\$36,425)
Special Revenue	353,457	496,786	143,329
Total	\$431,267	\$538,171	\$106,904

2007 Budgeted vs Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,436	\$61,941	\$15,495
Special Revenue	379,128	497,503	(118,375)
Total	\$456,564	\$559,444	(\$102,880)

Contrary to Ohio law, appropriations exceeded estimated resources in the General and Special Revenue Funds during 2008, and in the Special Revenue Fund in 2007, expenditures exceeded appropriations..

MONROE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

**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.

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

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, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Commercial Note	\$10,289	4.75%
Commercial Note	100,587	4.83%

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

For Year Ending <u>December 31</u>	<u>Commercial Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$28,605	\$5,016	\$33,621
2010	29,548	3,603	33,152
2011	25,726	2,268	27,994
2012	<u>26,997</u>	<u>996</u>	<u>27,994</u>
	<u>\$110,876</u>	<u>\$11,884</u>	<u>\$122,760</u>

**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 2008 and 2007, members contributed 10% and 9.5% of their gross salaries, respectively. The Township contributed an amount equal to 14% (2008) and 13.75% (2007) of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

MONROE TOWNSHIP  
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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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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, 2008 and 2007, and have issued our report thereon dated December 14, 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. 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 December 14, 2009.

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 are shown in the accompanying schedule as Findings 2008-01 and 2008-02.

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  
December 14, 2009

MONROE TOWNSHIP  
HOLMES COUNTY

SCHEDULE OF AUDIT FINDING  
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-01

Ohio Revised Code Section 5705.39 requires that total appropriations not exceed estimated resources. During 2008, appropriations exceed estimated resources in the following fund types.

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
General	\$64,022	\$59,784	(\$4,238)
Special Revenue	\$280,261	\$248,798	(\$31,463)

During 2007, appropriations exceeded estimated resources in the Special Revenue Fund type.

	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Variance</u>
Special Revenue	\$379,128	\$261,111	(\$17,756)

Client Response: None

FINDING NUMBER 2008-02

Ohio Revised Code Section 5705.41 (d) requires that budgetary expenditures shall not exceed appropriations. During, 2007, budgetary expenditures exceeded appropriations in the Special Revenue Fund type.

	<u>Appropriations</u>	<u>Budgeted Expenditures</u>	<u>Variance</u>
Special Revenue	\$379,128	\$497,503	(\$118,375)

Client Response: None

MONROE TOWNSHIP  
HOLMES COUNTY

SCHEDULE OF PRIOR AUDIT FINDING  
FOR THE YEARS ENDED 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	Ohio Revised Code Section 5705.39, Appropriations shall not exceed estimated resources.	No	Not Corrected. Repeated as finding 2008-01
2006-02	Ohio Revised Code Section 5705.41(d), Expenditures shall not exceed appropriations.	No	Not Corrected. Repeated as finding 2008-02



**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  
FEBRUARY 18, 2010**