



Dave Yost • Auditor of State



**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

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# Dave Yost • 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 17, 2011

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# Dave Yost • 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, 2010 and 2009. 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(A) mandates 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.

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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 9, the Township is experiencing financial difficulties. Management's plan in regards to these financial difficulties is described in Note 9 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 17, 2011, 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.



**Dave Yost**  
Auditor of State

October 17, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$14,656	\$18,577	\$3,156	\$36,389
Charges for Services	265			265
Intergovernmental	16,185	99,084		115,269
Earnings on Investments	9	8		17
	<u>31,115</u>	<u>117,669</u>	<u>3,156</u>	<u>151,940</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	24,392	6,806		31,198
Public Safety		12,548		12,548
Public Works	2,408	75,434		77,842
Debt Service:				
Redemption of Principal		11,483	3,146	14,629
Interest and Other Fiscal Charges		237	817	1,054
	<u>26,800</u>	<u>106,508</u>	<u>3,963</u>	<u>137,271</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,315	11,161	(807)	14,669
Fund Cash Balances, January 1	<u>77</u>	<u>21,817</u>	<u>587</u>	<u>22,481</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$4,392</u></u></b>	<b><u><u>\$32,978</u></u></b>	<b><u><u>(\$220)</u></u></b>	<b><u><u>\$37,150</u></u></b>

*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, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$14,670	\$21,106		\$35,776
Intergovernmental	15,331	97,876		113,207
Earnings on Investments	13	8		21
Miscellaneous		2,407		2,407
				<hr/>
Total Cash Receipts	<u>30,014</u>	<u>121,397</u>	<u>\$0</u>	<u>151,411</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	31,102	5,284		36,386
Public Safety		4,545		4,545
Public Works	1,867	84,042		85,909
Health	500			500
Debt Service:				
Redemption of Principal		10,785	3,445	14,230
Interest and Other Fiscal Charges		937	968	1,905
				<hr/>
Total Cash Disbursements	<u>33,469</u>	<u>105,593</u>	<u>4,413</u>	<u>143,475</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(3,455)	15,804	(4,413)	7,936
Fund Cash Balances, January 1 (Restated - See Note 2)	<u>3,532</u>	<u>6,013</u>	<u>5,000</u>	<u>14,545</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$77</b></u>	<u><b>\$21,817</b></u>	<u><b>\$587</b></u>	<u><b>\$22,481</b></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, 2010 AND 2009**

**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, 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 8 to the financial statements provides additional information for this entity.

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, 2010 AND 2009  
(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 2010 and 2009 budgetary activity appears in Note 3.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(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. Restatement of Fund Balance**

Due to an error in recording tax receipts from the County Auditor in the prior audit period, the following restatement was made to the beginning balances of the Miscellaneous Special Revenue Fund within the Special Revenue Fund Type and the Debt Service Fund Type:

	<u>Special Revenue</u>	<u>Debt Service</u>
12/31/08 Ending Fund Cash Balance	\$11,013	\$0
Restatement	(5,000)	5,000
1/1/09 Beginning Fund Cash Balance	\$6,013	\$5,000

**3. 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:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$37,150	\$22,481

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

**4. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,602	\$31,115	\$1,513
Special Revenue	113,409	117,669	4,260
Debt Service	3,827	3,156	(671)
Total	\$146,838	\$151,940	\$5,102

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,679	\$26,800	\$2,879
Special Revenue	139,640	106,508	33,132
Debt Service	0	3,963	(3,963)
Total	\$169,319	\$137,271	\$32,048

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,069	\$30,014	(\$5,055)
Special Revenue	124,176	121,397	(2,779)
Debt Service	0	0	0
Total	\$159,245	\$151,411	(\$7,834)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,563	\$33,469	\$4,094
Special Revenue	135,556	105,593	29,963
Debt Service	0	4,413	(4,413)
Total	\$173,119	\$143,475	\$29,644

Contrary to Ohio Rev. Code Section 5705.41(B), the Debt Service Fund had expenditures that exceeded appropriations for 2010 and 2009 due to audit adjustments. Also, contrary to Ohio Rev. Code Section 5705.36, appropriations exceeded the beginning balance plus actual receipts for the Miscellaneous Special Revenue Fund for 2010 and the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge and Miscellaneous Special Revenue Funds for 2009. The variances in the Miscellaneous Special Revenue Fund were due to audit adjustments.

**5. 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.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Bond Anticipation Note	\$13,104	4.21%
Total	\$13,104	

The \$37,000 bond anticipation note was used to acquire and construct a Township garage building and 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:	BAN-Building
2011	\$4,413
2012	4,413
2013	4,413
Total	\$13,239

**7. 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 2010 and 2009, OPERS members contributed 10.0% of their gross salaries and the Township contributed an amount equaling 14.0% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**8. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**8. Risk Management (Continued)**

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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>	
<u>2010</u>	<u>2009</u>
\$3,121	\$2,461

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. 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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# Dave Yost • 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 Board of Trustees:

We have audited the financial statements of Monroe Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated October 17, 2011 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 that the Township was experiencing financial difficulties. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weakness. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-01 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-03 described in the accompanying Schedule of Findings to be a significant deficiency.

### **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 2010-01, 2010-02, 2010-04 and 2010-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 17, 2011.

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, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

October 17, 2011

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**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 Miscellaneous Special Revenue Fund in 2010 and 2009. 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 Miscellaneous Special Revenue Fund in 2010 and made the corresponding debt payment from this fund. The debt instrument drafted by bond counsel, under item (F)(3), requires the use of a debt service fund. The 2010 and 2009 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.

**Officials' Response:** Debt Service Fund will be established with help from UAN.

**FINDING NUMBER 2010-02**

**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, 2010, the following fund reflected expenditures which exceeded appropriations:

Fund/Function/Object	Appropriations	Expenditures	Variance
Debt Service Fund	\$0	\$3,963	(\$3,963)

At December 31, 2009, the following fund reflected expenditures which exceeded appropriations:

Fund	Appropriations	Expenditures	Variance
Debt Service Fund	\$0	\$4,413	(\$4,413)

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.

**Officials' Response:** We did not receive a response from Officials to this finding.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

**FINDING NUMBER 2010-03**

**Significant Deficiency**

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.

During 2010 and 2009, the Township's receipts were not always posted to correct receipt classifications, based upon the source of the receipt. The following misclassifications were noted;

- In 2010, local government receipts in the amount of \$4,705 were posted as Property and Other Local Taxes within the General Fund instead of Intergovernmental Receipts. This material reclassification, with which the Township officials agree, is reflected within the accompanying financial statements.
- In 2009, local government receipts in the amount of \$868 were posted as Property and Other Local Taxes within the General Fund instead of Intergovernmental Receipts.

We recommend the Fiscal Officer review postings for accuracy. The Fiscal Officer should review the Uniform Accounting Network – Accounting Manual, Appendix A, Township Chart of Accounts for appropriate revenue code descriptions.

**Officials' Response:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2010-04**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36(A)(2) states, subject to divisions (A)(3) and (4) of this Section, that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Rev. Code 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2010-04 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.36(A)(2) (Continued)**

For the year ended December 31, 2009 and December 31, 2010, appropriations exceeded the beginning balance plus actual receipts as follows:

<u>FYE</u>	<u>Fund</u>	<u>Amount</u>
2010	Miscellaneous Special Revenue Fund - 2901	(\$4,413)
2009	General Fund - 1000	(\$4,017)
	Motor Vehicle License Tax Fund - 2011	(\$2,098)
	Gasoline Tax Fund - 2021	(\$2,032)
	Road and Bridge Fund - 2031	(\$290)
	Miscellaneous Special Revenue Fund - 2901	(\$4,413)

Storage Building appropriations were budgeted for within the Miscellaneous Special Revenue Fund. However, after audit adjustments, there is no longer a Miscellaneous Special Revenue Fund reported. This activity is now reported in the Miscellaneous Debt Service Fund.

Failure to obtain reduced amended certificates of estimated resources and to make corresponding reductions in appropriations could result in deficit spending.

We recommend the Fiscal Officer and Board of Trustees review budgeted and actual receipts each month to determine whether amended certificates of estimated resources are needed. When it is known that actual receipts will fall short of estimates, the Township should obtain a reduced amended certificate for the deficiency and reduce appropriations accordingly.

**Officials' Response:** Fiscal Officer will monitor appropriations more closely.

**FINDING NUMBER 2010-05**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Ohio Rev. Code Section 5705.41(D)(1) and 5705.41(D)(3), respectively:

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**FINDING NUMBER 2010-05 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made "then" and at the time that the fiscal officer is completing the certification "now", that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Twenty-seven percent of the non-payroll transactions issued in 2009 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a "then and now" certificate. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligations being incurred by the Township. When prior certification is not possible, "then and now" certificates should be used.

We recommend the Township certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification prior to the Township incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response:** Disbursements will not be made without prior authorization.

**MONROE TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Ohio Rev. Code Section 5705.09(C) - Not establishing a Debt Service Fund to record debt transactions.	No	Not Corrected. Repeated as Finding 2010-01.
2008-002	Ohio Rev. Code Section 5705.41(B) - Expenditures in excess of appropriations.	No	Not Corrected. Repeated as Finding 2010-02.
2008-003	Ohio Rev. Code Section 5705.10(C) - Posting receipts to incorrect funds.	Yes	
2008-004	Posting receipts to improper account classifications.	No	Not Corrected. Repeated as Finding 2010-03.

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# Dave Yost • 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 17, 2011**