

**MONROE TOWNSHIP  
RICHLAND COUNTY**

INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2004 AND DECEMBER 31, 2003





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Monroe Township  
2808 Tucker Road  
Lucas, Ohio 44843

We have reviewed the *Independent Auditor's Report* of Monroe Township, Richland County, prepared by Varney, Fink & Associates, Inc. for the audit period January 1, 2003 through December 31, 2004. 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's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the 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. 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 Auditor's Report* also includes an opinion on the financial statements using the regulatory format the AOS 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 black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 14, 2005

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**MONROE TOWNSHIP, RICHLAND COUNTY  
FOR THE YEARS ENDED  
DECEMBER 31, 2004 AND DECEMBER 31, 2003**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Monroe Township, Richland County  
2808 Tucker Road  
Lucas, OH 44843

We have audited the accompanying financial statements of Monroe Township, Richland County (the Township), as of and for the years ended December 31, 2004 and December 31, 2003, as listed in the table of contents. 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 reasonable 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. We believe that 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (ie. major) funds separately for 2004. 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 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 reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 and 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, 2004, or its changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Monroe Township, Richland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 described.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 7, 2005 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.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

October 7, 2005

**Monroe Township, Richland County**  
**Combined Statement of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2004**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$40,560	\$528,164	\$568,724
Intergovernmental Receipts	40,051	114,925	154,976
Fines, Licenses and Permits	1,042	0	1,042
Interest	4,356	31	4,387
All Other Receipts	7,623	39,250	46,873
Total Cash Receipts	<u>93,632</u>	<u>682,370</u>	<u>776,002</u>
Cash Disbursements			
Current:			
General Government	90,975	280,159	371,134
Public Works	0	242,297	242,297
Health	5,963	5,405	11,368
Conservation - Recreation	0	4,641	4,641
Debt:			
Principal Payment	0	61,189	61,189
Interest	0	12,033	12,033
Total Cash Disbursements	<u>96,938</u>	<u>605,724</u>	<u>702,662</u>
Total Receipts Over (Under) Disbursements	<u>(3,306)</u>	<u>76,646</u>	<u>73,340</u>
Other Financing Receipts:			
Sale of Fixed Assets	<u>0</u>	<u>4,009</u>	<u>4,009</u>
Total Other Financing Receipts	<u>0</u>	<u>4,009</u>	<u>4,009</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(3,306)	80,655	77,349
Fund Cash Balances, January 1, 2004	<u>42,790</u>	<u>185,697</u>	<u>228,487</u>
Fund Cash Balances, December 31, 2004	<u>\$39,484</u>	<u>\$266,352</u>	<u>\$305,836</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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



**Monroe Township, Richland County**  
**Combined Statement of Cash Receipts, Cash Disbursements and**  
**Changes in Fund Cash Balances - All Governmental Fund Types**  
**For the Year Ended December 31, 2003**

	General	Special Revenue	Total (Memorandum Only)
Cash Receipts			
Taxes	\$46,853	\$579,089	\$625,942
Intergovernmental Receipts	53,484	101,497	154,981
Fines, Licenses and Permits	1,611	0	1,611
Interest	3,133	43	3,176
All Other Receipts	7,880	20,609	28,489
	<u>112,961</u>	<u>701,238</u>	<u>814,199</u>
Total Cash Receipts			
Cash Disbursements			
Current:			
General Government	68,180	301,254	369,434
Public Works	0	230,230	230,230
Health	5,350	5,960	11,310
Conservation - Recreation	0	4,457	4,457
Capital Outlay	0	184,489	184,489
Debt:			
Principal Payment	0	53,736	53,736
Interest	0	10,041	10,041
	<u>73,530</u>	<u>790,167</u>	<u>863,697</u>
Total Cash Disbursements			
Total Receipts Over (Under) Disbursements	39,431	(88,929)	(49,498)
Other Financing Receipts (Disbursements):			
Sale of Bonds	0	100,000	100,000
Advances - In	15,000	65,725	80,725
Advances - Out	(15,000)	(65,725)	(80,725)
	<u>0</u>	<u>100,000</u>	<u>100,000</u>
Total Other Financing Receipts (Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	39,431	11,071	50,502
Fund Cash Balances, January 1, 2003	<u>3,359</u>	<u>174,626</u>	<u>177,985</u>
Fund Cash Balances, December 31, 2003	<u>\$42,790</u>	<u>\$185,697</u>	<u>\$228,487</u>
Reserve for Encumbrances	<u>\$0</u>	<u>\$3,512</u>	<u>\$3,512</u>

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

MONROE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Description of the Entity

Monroe Township, (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. The Township provides general governmental services, including road and cemetery maintenance, park operations and fire protection.

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 a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (ie. when an encumbrance is approved).

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

C. 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:

**General Fund** - The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

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

Motor Vehicle License Fund - This fund receives motor vehicle taxes for constructing, maintaining and repairing Township roads.

Gasoline Tax Fund - This fund receives gasoline taxes for maintaining and repairing Township roads.

MONROE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

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

Permissive Sales Tax Fund – To account for monies derived from the County’s permissive sales tax. Monies are used for various road and public works projects.

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

D. Budgetary Process

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

**Appropriations** - Budgetary expenditures (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. Unencumbered appropriations lapse at year end.

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

**Encumbrances** - The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

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

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

MONROE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

2. **EQUITY IN POOLED CASH AND INVESTMENTS** (continued)

Deposits	2004	2003
Demand Deposits	\$75,994	\$40,145
Time Deposits	45,606	45,607
Total Deposits	121,600	85,752
Investments		
STAR Ohio	184,236	142,735
Total Deposits and Investments	\$305,836	\$228,487

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and December 31, 2003 was as follows:

2004 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$89,211	\$93,632	\$4,421
Special Revenue	612,910	686,379	73,469
Total	\$702,121	\$780,011	\$77,890

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$132,000	\$96,938	\$35,062
Special Revenue	696,577	605,724	90,853
Total	\$828,577	\$702,662	\$125,915

MONROE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

3. **BUDGETARY ACTIVITY** (continued)

2003 Budget vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$56,819	\$112,961	\$56,142
Special Revenue	967,702	801,238	(166,464)
Total	<u>\$1,024,521</u>	<u>\$914,199</u>	<u>(\$110,322)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$56,819	\$73,530	(\$16,711)
Special Revenue	803,001	793,679	9,322
Total	<u>\$859,820</u>	<u>\$867,209</u>	<u>(\$7,389)</u>

4. **PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed to 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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

5. **RETIREMENT SYSTEMS**

Employees belong to the Ohio Public Employees Retirement System (OPERS), OPERS is a cost-sharing, multiple-employer defined pension plan. This plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries and the Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. **RISK MANAGEMENT**

The Township is a member of the Ohio Government Risk Management Plan. The Plan is an unincorporated no-profit association of its members for the purpose of providing its members a jointly administered self-insurance program. The Plan assumes the risk of loss minus the Township's deductible contribution. Risks covered by the Plan are comprehensive property and general liability, vehicles and public official's liability.

7. **DEBT**

The Township's debt obligations outstanding as of December 31, 2004 and December 31, 2003 consisted of the following:

	Interest Rate	Balance 12/31/2004	Outstanding 12/31/2003
Real Estate Acquisition Bond	3.83%	\$45,541	\$59,615
Fire Equipment Bonds	3.83%	112,031	146,654
Fire Equipment Bonds	3.94%	87,316	100,000
Total		<u>\$244,888</u>	<u>\$306,269</u>

MONROE TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003

7. **DEBT** (continued)

Annual debt amortization requirements, including interest of \$24,650 , is scheduled as follows:

Years Ending December 31,	
2005	\$73,222
2006	\$73,222
2007	\$73,222
2008	\$16,624
2009	\$16,624
2010	16,624
Total	<u>\$269,538</u>

8. **RELATED PARTY ACTIVITY**

The Township owns a house adjacent to the Township Fire Station. During 2003 and 2004, the Township rented the house to a volunteer fireman of the Township. Initial rental payments were waived in lieu of work to be done by the tenant. After the initial waived rental period, only sporadic rental payments were made by the tenant. Unpaid rent amounted to \$5,000.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Monroe Township, Richland County  
2808 Tucker Road  
Lucas, OH 44843

We have audited the financial statements of Monroe Township, Richland County (the Township), as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated October 7, 2005, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as Item 2004-001.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** (continued)

We noted additional matters that we have reported to management of the Township in a separate letter dated October 7, 2005.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than those specified parties.

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

October 7, 2005

**MONROE TOWNSHIP, RICHLAND COUNTY, OHIO**

**SCHEDULE OF NONCOMPLIANCE**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003**

2004-001

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

At December 31, 2003, expenditures exceeded appropriations in the following funds:

<u>2003</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$56,819	\$73,530	(\$16,711)
EMS Fund	37,133	43,198	(6,065)
Fire District Fund	222,295	266,808	(44,513)
Permissive Sales Tax Fund	222,715	239,424	(16,709)

The Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending.

**MONROE TOWNSHIP  
RICHLAND COUNTY**

**SCHEDULE OF PRIOR NONCOMPLIANCE**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	<u>Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; Explain</u>
2002-001	Expending money without appropriations	No	Reissued as Finding Number 2004-001





**Auditor of State  
Betty Montgomery**

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**MONROE TOWNSHIP**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2005**