



**MONROE TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006-2005



Mary Taylor, CPA
Auditor of State

**MONROE TOWNSHIP
KNOX COUNTY**

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KNOX COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township
Knox County
15724 Pleasant View Drive
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements basis referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of Monroe Township, Knox County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Fire District, Road and Bridge, and Road District Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2007, 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.

The aforementioned revision to generally accepting accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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.

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

Mary Taylor, CPA
Auditor of State

March 15, 2007

MONROE TOWNSHIP
KNOX COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$284,668
<i>Total Assets</i>	<u>284,668</u>
Net Assets	
Restricted for:	
Debt Service	122
Other Purposes	217,618
Unrestricted	66,928
<i>Total Net Assets</i>	<u>\$284,668</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$91,234	\$23,621	\$0	(\$67,613)
Public Safety	116,451	0	0	(116,451)
Public Works	178,163	0	86,201	(91,962)
Health	4,760	0	0	(4,760)
Capital Outlay	62,086	0	0	(62,086)
Debt Service:				
Principal	2,500	0	0	(2,500)
Interest	378	0	0	(378)
Total Governmental Activities	\$ 455,572	\$ 23,621	\$ 86,201	(345,750)
General Receipts				
Property Taxes				266,280
Grants and Entitlements not Restricted to Specific Programs				95,998
Sale of Notes				20,000
Sale of Fixed Assets				3,000
Earnings on Investments				9,538
Miscellaneous				2,009
Total General Receipts				396,825
Change in Net Assets				51,075
Net Assets Beginning of Year				233,593
Net Assets End of Year				\$284,668

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	ROAD DISTRICT	OTHER GOVERNMENT FUND	TOTAL GOVERNMENTAL FUNDS
Assets							
Equity in Pooled Cash and Cash Equivalents	\$43,998	\$39,620	\$44,651	\$97,467	\$7,996	\$50,936	\$284,668
<i>Total Assets</i>	<u>43,998</u>	<u>39,620</u>	<u>44,651</u>	<u>97,467</u>	<u>7,996</u>	<u>50,936</u>	<u>284,668</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	43,998	0	0	0	0	0	43,998
Special Revenue Funds	0	39,620	44,651	97,467	7,996	27,884	217,618
Debt Service Fund	0	0	0	0	0	122	122
Capital Projects Funds	0	0	0	0	0	22,930	22,930
<i>Total Fund Balances</i>	<u>\$43,998</u>	<u>\$39,620</u>	<u>\$44,651</u>	<u>\$97,467</u>	<u>\$7,996</u>	<u>\$50,936</u>	<u>\$284,668</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	ROAD DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$39,853	\$0	\$40,298	\$126,724	\$54,918	\$4,487	\$266,280
Licenses, Permits and Fees	18,896	0	1,500	0	0	3,225	23,621
Intergovernmental	43,488	86,201	5,885	17,886	7,468	21,271	182,199
Earnings on Investments	8,145	964	0	0	0	429	9,538
Miscellaneous	131	0	1,124	4	0	750	2,009
Total Receipts	110,513	87,165	48,807	144,614	62,386	30,162	483,647
Disbursements							
Current:							
General Government	91,234	0	0	0	0	0	91,234
Public Safety	0	0	0	116,451	0	0	116,451
Public Works	10,000	69,923	24,252	0	56,997	16,991	178,163
Health	0	0	0	0	0	4,760	4,760
Capital Outlay	1,500	0	20,000	20,000	0	20,586	62,086
Debt Service:							
Principal Retirement	0	0	0	0	0	2,500	2,500
Interest and Fiscal Charges	0	0	0	0	0	378	378
Total Disbursements	102,734	69,923	44,252	136,451	56,997	45,215	455,572
Excess of Receipts Over (Under) Disbursements	7,779	17,242	4,555	8,163	5,389	(15,053)	28,075
Other Financing Sources (Uses)							
Sale of Notes	0	0	20,000	0	0	0	20,000
Sale of Fixed Assets	0	0	0	3,000	0	0	3,000
Transfers In	0	0	0	0	0	10,000	10,000
Transfers Out	(10,000)	0	0	0	0	0	(10,000)
Total Other Financing Sources (Uses)	(10,000)	0	20,000	3,000	0	10,000	23,000
Net Change in Fund Balances	(2,221)	17,242	24,555	11,163	5,389	(5,053)	51,075
Fund Balances Beginning of Year	46,219	22,378	20,096	86,304	2,607	55,989	233,593
Fund Balances End of Year	<u>\$43,998</u>	<u>\$39,620</u>	<u>\$44,651</u>	<u>\$97,467</u>	<u>\$7,996</u>	<u>\$50,936</u>	<u>\$284,668</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$44,427	44,427	\$39,853	(\$4,574)
Licenses, Permits and Fees	5,202	5,202	18,896	13,694
Intergovernmental	40,034	40,034	43,488	3,454
Earnings on Investments	2,081	2,081	8,145	6,064
Miscellaneous	4,550	4,550	131	(4,419)
<i>Total receipts</i>	<u>96,294</u>	<u>96,294</u>	<u>110,513</u>	<u>14,219</u>
Disbursements				
Current:				
General Government	109,313	110,239	91,234	19,005
Public Works	0	10,000	10,000	0
Capital Outlay	3,200	12,274	1,500	10,774
<i>Total Disbursements</i>	<u>112,513</u>	<u>132,513</u>	<u>102,734</u>	<u>29,779</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,219)</u>	<u>(36,219)</u>	<u>7,779</u>	<u>43,998</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(30,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(46,219)	(46,219)	(2,221)	43,998
<i>Fund Balance Beginning of Year</i>	<u>46,219</u>	<u>46,219</u>	<u>46,219</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$43,998</u></u>	<u><u>\$43,998</u></u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$57,598	\$57,598	\$86,201	\$28,603
Earnings on Investments	66	66	964	898
Miscellaneous	1,020	1,020	0	(1,020)
<i>Total receipts</i>	<u>58,684</u>	<u>58,684</u>	<u>87,165</u>	<u>28,481</u>
Disbursements				
Current:				
Public Works	81,062	81,062	69,923	11,139
<i>Total Disbursements</i>	<u>81,062</u>	<u>81,062</u>	<u>69,923</u>	<u>11,139</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,378)</u>	<u>(22,378)</u>	<u>17,242</u>	<u>39,620</u>
<i>Net Change in Fund Balance</i>	(22,378)	(22,378)	17,242	39,620
<i>Fund Balance Beginning of Year</i>	22,372	22,372	22,372	0
Prior Year Encumbrances Appropriated	6	6	6	0
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$39,620</u>	<u>\$39,620</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$40,292	\$40,292	\$40,298	\$6
Licenses, Permits and Fees	0	0	1,500	1,500
Intergovernmental	22,708	22,708	5,885	(16,823)
Miscellaneous	208	208	1,124	916
<i>Total receipts</i>	<u>63,208</u>	<u>63,208</u>	<u>48,807</u>	<u>(14,401)</u>
Disbursements				
Current:				
General Government	1,100	1,100	0	1,100
Public Works	62,204	62,204	24,252	37,952
Capital Outlay	0	20,000	20,000	0
<i>Total Disbursements</i>	<u>63,304</u>	<u>83,304</u>	<u>44,252</u>	<u>39,052</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(96)</u>	<u>(20,096)</u>	<u>4,555</u>	<u>24,651</u>
Other Financing Sources (Uses)				
Sale of Notes	0	0	20,000	20,000
<i>Net Change in Fund Balance</i>	(96)	(20,096)	24,555	44,651
<i>Fund Balance Beginning of Year</i>	<u>20,096</u>	<u>20,096</u>	<u>20,096</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$20,000</u></u>	<u><u>\$0</u></u>	<u><u>\$44,651</u></u>	<u><u>\$44,651</u></u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$123,881	\$123,881	\$126,724	\$2,843
Intergovernmental	10,907	10,907	17,886	6,979
Miscellaneous	1,460	1,460	4	(1,456)
<i>Total receipts</i>	<u>136,248</u>	<u>136,248</u>	<u>144,614</u>	<u>8,366</u>
Disbursements				
Current:				
Public Safety	218,552	198,552	116,451	82,101
Capital Outlay	4,000	24,000	20,000	4,000
<i>Total Disbursements</i>	<u>222,552</u>	<u>222,552</u>	<u>136,451</u>	<u>86,101</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(86,304)</u>	<u>(86,304)</u>	<u>8,163</u>	<u>94,467</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	0	3,000	3,000
<i>Net Change in Fund Balance</i>	(86,304)	(86,304)	11,163	97,467
<i>Fund Balance Beginning of Year</i>	<u>86,334</u>	<u>86,334</u>	<u>86,304</u>	<u>(30)</u>
<i>Fund Balance End of Year</i>	<u><u>\$30</u></u>	<u><u>\$30</u></u>	<u><u>\$97,467</u></u>	<u><u>\$97,437</u></u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$53,507	53,507	\$54,918	\$1,411
Intergovernmental	7,561	7,561	7,468	(93)
Miscellaneous	904	904	0	(904)
<i>Total receipts</i>	<u>61,972</u>	<u>61,972</u>	<u>62,386</u>	<u>414</u>
Disbursements				
Current:				
Public Works	64,579	64,579	56,997	7,582
<i>Total Disbursements</i>	<u>64,579</u>	<u>64,579</u>	<u>56,997</u>	<u>7,582</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,607)</u>	<u>(2,607)</u>	<u>5,389</u>	<u>7,996</u>
<i>Net Change in Fund Balance</i>	(2,607)	(2,607)	5,389	7,996
<i>Fund Balance Beginning of Year</i>	<u>2,607</u>	<u>2,607</u>	<u>2,607</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$7,996</u></u>	<u><u>\$7,996</u></u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$233,593
<i>Total Assets</i>	<u>\$233,593</u>
Net Assets	
Restricted for:	
Other Purposes	153,858
Unrestricted	79,735
<i>Total Net Assets</i>	<u>\$233,593</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$96,757	\$10,339	\$0	(\$86,418)
Public Safety	117,117	0	0	(117,117)
Public Works	180,066	0	77,233	(102,833)
Health	8,195	0	0	(8,195)
Debt Service:				
Principal	31,750	0	0	(31,750)
Interest	2,151	0	0	(2,151)
<i>Total Governmental Activities</i>	<u>\$ 436,036</u>	<u>\$ 10,339</u>	<u>\$ 77,233</u>	<u>(348,464)</u>
General Receipts				
Property Taxes				224,617
Grants and Entitlements not Restricted to Specific Programs				130,995
Sale of Fixed Assets				1,340
Earnings on Investments				5,712
Miscellaneous				2,967
<i>Total General Receipts</i>				<u>365,631</u>
Change in Net Assets				17,167
<i>Net Assets Beginning of Year</i>				<u>216,426</u>
<i>Net Assets End of Year</i>				<u>\$233,593</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	CAPITAL PROJECT	OTHER GOVERNMENT FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets							
Equity in Pooled Cash and Cash Equivalents	\$46,219	\$22,378	\$20,096	\$86,304	\$33,516	\$25,080	\$233,593
<i>Total Assets</i>	<u>46,219</u>	<u>22,378</u>	<u>20,096</u>	<u>86,304</u>	<u>33,516</u>	<u>25,080</u>	<u>233,593</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	0	6	0	0	0	0	6
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	46,219	0	0	0	0	0	46,219
Special Revenue Funds	0	22,372	20,096	86,304	0	25,080	153,852
Capital Projects Funds	0	0	0	0	33,516	0	33,516
<i>Total Fund Balances</i>	<u>\$46,219</u>	<u>\$22,378</u>	<u>\$20,096</u>	<u>\$86,304</u>	<u>\$33,516</u>	<u>\$25,080</u>	<u>\$233,593</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	FIRE DISTRICT	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts							
Property and Other Local Taxes	\$32,248	\$0	\$38,768	\$110,947	\$0	\$42,654	\$224,617
Licenses, Permits and Fees	6,689	0	0	0	0	3,650	10,339
Intergovernmental	82,619	77,233	6,120	16,484	0	25,772	208,228
Earnings on Investments	5,140	243	0	0	0	329	5,712
Miscellaneous	0	3	60	4	0	2,900	2,967
Total Receipts	126,696	77,479	44,948	127,435	0	75,305	451,863
Disbursements							
Current:							
General Government	86,751	0	10,006	0	0	0	96,757
Public Safety	0	0	0	117,117	0	0	117,117
Public Works	0	66,942	35,040	0	0	78,084	180,066
Health	0	0	0	0	0	8,195	8,195
Debt Service:							
Principal Retirement	0	0	0	6,903	0	24,847	31,750
Interest and Fiscal Charges	0	0	0	0	0	2,151	2,151
Total Disbursements	86,751	66,942	45,046	124,020	0	113,277	436,036
Excess of Receipts Over (Under) Disbursements	39,945	10,537	(98)	3,415	0	(37,972)	15,827
Other Financing Sources (Uses)							
Sale of Fixed Assets	0	0	0	0	0	1,340	1,340
Net Change in Fund Balances	39,945	10,537	(98)	3,415	0	(36,632)	17,167
Fund Balances Beginning of Year	6,274	11,841	20,194	82,889	33,516	61,712	216,426
Fund Balances End of Year	\$46,219	\$22,378	\$20,096	\$86,304	\$33,516	\$25,080	\$233,593

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$43,555	\$43,555	\$32,248	(\$11,307)
Licenses, Permits and Fees	5,100	5,100	6,689	1,589
Intergovernmental	41,580	41,580	82,619	41,039
Earnings on Investments	2,040	2,040	5,140	3,100
Miscellaneous	6,451	6,451	0	(6,451)
<i>Total receipts</i>	<u>98,726</u>	<u>98,726</u>	<u>126,696</u>	<u>27,970</u>
Disbursements				
Current:				
General Government	97,215	97,215	86,751	10,464
Capital Outlay	2,285	2,285	0	2,285
<i>Total Disbursements</i>	<u>99,500</u>	<u>99,500</u>	<u>86,751</u>	<u>12,749</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(774)</u>	<u>(774)</u>	<u>39,945</u>	<u>40,719</u>
Other Financing Sources (Uses)				
Transfers Out	(5,500)	(5,500)	0	5,500
<i>Total Other Financing Sources (Uses)</i>	<u>(5,500)</u>	<u>(5,500)</u>	<u>0</u>	<u>5,500</u>
<i>Net Change in Fund Balance</i>	(6,274)	(6,274)	39,945	46,219
<i>Fund Balance Beginning of Year</i>	<u>6,274</u>	<u>6,274</u>	<u>6,274</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$46,219</u>	<u>\$46,219</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$55,080	\$55,080	\$77,233	\$22,153
Earnings on Investments	109	109	243	134
Miscellaneous	2,345	2,345	3	(2,342)
<i>Total receipts</i>	<u>57,534</u>	<u>57,534</u>	<u>77,479</u>	<u>19,945</u>
Disbursements				
Current:				
Public Works	69,375	69,381	66,948	2,433
<i>Total Disbursements</i>	<u>69,375</u>	<u>69,381</u>	<u>66,948</u>	<u>2,433</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,841)</u>	<u>(11,847)</u>	<u>10,531</u>	<u>22,378</u>
<i>Net Change in Fund Balance</i>	(11,841)	(11,847)	10,531	22,378
<i>Fund Balance Beginning of Year</i>	11,835	11,835	11,841	(6)
Prior Year Encumbrances Appropriated	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>(\$6)</u>	<u>\$22,378</u>	<u>\$22,372</u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$40,465	\$40,465	\$38,768	(\$1,697)
Intergovernmental	4,335	4,335	6,120	1,785
Miscellaneous	204	204	60	(144)
	<u>45,004</u>	<u>45,004</u>	<u>44,948</u>	<u>(56)</u>
<i>Total receipts</i>				
Disbursements				
Current:				
General Government	16,423	16,423	10,006	6,417
Public Works	48,775	48,775	35,040	13,735
<i>Total Disbursements</i>	<u>65,198</u>	<u>65,198</u>	<u>45,046</u>	<u>20,152</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,194)</u>	<u>(20,194)</u>	<u>(98)</u>	<u>20,096</u>
<i>Net Change in Fund Balance</i>	(20,194)	(20,194)	(98)	20,096
<i>Fund Balance Beginning of Year</i>	<u>20,194</u>	<u>20,194</u>	<u>20,194</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$20,096</u></u>	<u><u>\$20,096</u></u>

See accompanying notes to the basic financial statements

**MONROE TOWNSHIP
KNOX COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$111,649	\$111,649	\$110,947	(\$702)
Intergovernmental	7,752	7,752	16,484	8,732
Miscellaneous	1,224	1,224	4	(1,220)
<i>Total receipts</i>	<u>120,625</u>	<u>120,625</u>	<u>127,435</u>	<u>6,810</u>
Disbursements				
Current:				
Public Safety	173,513	173,513	117,117	56,396
Capital Outlay	16,195	16,195	0	16,195
Debt Service:				
Interest and Principal	6,903	6,903	6,903	0
<i>Total Disbursements</i>	<u>196,611</u>	<u>196,611</u>	<u>124,020</u>	<u>72,591</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(75,986)</u>	<u>(75,986)</u>	<u>3,415</u>	<u>79,401</u>
<i>Net Change in Fund Balance</i>	(75,986)	(75,986)	3,415	79,401
<i>Fund Balance Beginning of Year</i>	<u>82,889</u>	<u>82,889</u>	<u>82,889</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,903</u></u>	<u><u>\$6,903</u></u>	<u><u>\$86,304</u></u>	<u><u>\$79,401</u></u>

See accompanying notes to the basic financial statements

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**MONROE TOWNSHIP
KNOX COUNTY**

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

Note 1 – Reporting Entity

Monroe Township, Knox County, Ohio is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Monroe Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with College Township for fire protection. Police protection is provided by the Knox County Sheriff's Department.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basis financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each group of Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from Township's general receipts.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township has six major governmental funds. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax Fund, Road and Bridge Fund and Road District Fund balances are available to Monroe Township for the purpose of maintaining the Township's roads and bridges. The Fire District Fund balances are available to purchase fire equipment and make contract payments to College Township for fire protection. The Capital Project Fund balance is currently being set aside for capital equipment purchases.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (Continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level of for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2006 and 2005, the Township maintained a money market account and checking account.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$8,145 and \$5,140, respectively. Interest receipts credited to the Gasoline Tax Fund during 2006 and 2005 was \$964 and \$243, respectively. Interest receipts credited to the Motor Vehicle License Tax Fund during 2006 and 2005 was \$258 and \$217, respectively. Interest receipts credited to the Permissive Motor Vehicle License Fund during 2006 and 2005 was \$172 and \$111, respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent \$217,740 and \$153,858 for 2006 and 2005, respectively.

G. Capital Assets

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

H. Accumulated Leave

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

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for Other Purpose for the Township include amounts restricted for road work based on external restrictions imposed by laws and regulations. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 3 – Change in Presentation

For the year ended December 31, 2005, the Township implemented the cash basis of accounting as described in Note 2. The financial statements now include entity-wide financial statements, which present information for the Township as a whole, and fund financial statements, which present information for individual major funds rather than by fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance – Budget and Actual – Budgetary Basis presented for the General fund and all major special revenue funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no outstanding encumbrances at the end of the year.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 5 – Deposits and Investments (continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 5 – Deposits and Investments (continued)

At December 31, 2006, the Township had \$4,660 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

The carrying amount of the Township's deposits for December 31, 2006 was \$284,668. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosure*", at December 31, 2006, \$197,969 of the Township's bank balance of \$297,969 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2005 the carrying amount of the Township's deposits was \$233,593. The Township's bank balance of \$245,995, \$100,000 was covered by FDIC and \$145,995 was exposed to custodial credit risk as noted below. Although all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

Although all state statutory requirements for deposits were met, noncompliance with federal requirements could potentially subject the Township to a successful claim of the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

The Township has no investment policy and is limited to complying with state statute.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 – Property Taxes (continued)

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was 2.1 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	2006	2005
Real Property		
Residential	\$ 27,207,660	\$ 24,383,260
Agriculture	9,847,720	8,986,410
Commercial/Industrial/Mineral	1,996,850	1,763,640
Public Utility Property		
Real	0	0
Personal	487,050	1,257,480
Tangible Personal Property	3,297,970	3,218,580
Total Assessed Value	\$ 42,837,250	\$ 39,609,370

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Risk Management (continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available).

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in 2006 and 2005 is approximately \$7,523 and \$7,692. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Risk Management (continued)

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

<u>Township Contributions to OTARMA</u>	
2004	\$6,960
2005	\$7,692
2006	\$7,523

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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 was incurred or reported prior to the withdrawal. Withdrawing members have no other future obligation to the pool.

Note 8 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 - Defined Benefit Pension Plans (continued)

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary. The employee contribution rate for pension benefits for 2006 and 2005 was 9 and 8.5 percent, except for those plan members in law enforcement or public safety. The Township's contribution rate for pension benefits for 2006 and 2005 were 13.70 and 13.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$23,671, and \$22,067, respectively.

Note 9 – Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6 percent annually for the next nine years and 4 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was \$369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**MONROE TOWNSHIP
KNOX COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 10 - Notes Payable

A summary of the note transactions for the years ended December 31, 2006 and 2005, follows:

	Interest Rate	Balance <u>12/31/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/06</u>
<u>Equipment Notes</u>								
Fire Equipment	5.06%	\$31,750	\$0	\$31,750	\$0			
Back-hoe	5%	\$0	\$0	\$0	\$0	\$20,000	\$2,500	\$17,500

The 2006 note was for the purpose of purchasing a Back-hoe for the Township's use. The Township borrowed \$20,000 at 5% interest to be paid back over the next four years. The following is a schedule of payments:

<u>Equipment Notes</u>		
	<u>Principal</u>	<u>Interest</u>
2007	\$ 5,000	\$ 813
2008	5,000	563
2009	5,000	313
2010	2,500	63
Total	<u>\$ 17,500</u>	<u>\$ 1,752</u>

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Mary Taylor, CPA

Auditor of State

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

Monroe Township
Knox County
15724 Pleasant View Drive
Mount Vernon, Ohio 43050

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Monroe Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 15, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, and the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: Finding Numbers 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-002 is also a material weakness.

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 no instance of noncompliance or other matters we must report under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

March 15, 2007

**MONROE TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Signing of Checks in Advance

Implementing and maintaining internal controls is an important responsibility of management.

At various times, Township Trustees were signing checks prior to them being completely filled out by the Township's Fiscal Officer.

Checks being signed in advance could lead to improper use of Township funds and errors and irregularities to occur and go undetected by management.

We recommend the Township Trustees refrain from signing checks in advance, and only sign them after they have been completely filled out by the Township's Fiscal Officer to ensure proper accountability over all Township funds.

Officials' Response:

The Trustees will not sign checks in advance. The check will be completely filled out before being signed.

FINDING NUMBER 2006-002

Financial Statement Presentation

A monitoring system by the Fiscal Officer should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

The Fiscal Officer did not always accurately post receipts to the Township's accounting system. The following posting errors were noted:

- Intergovernmental receipts of Rollback and Homestead were posted as tax receipts.
- Intergovernmental receipts of Utilities Deregulation were posted as tax receipts.
- Sale of Assets receipts were posted as Miscellaneous and Intergovernmental Receipts.
- Sale of Notes were posted as Intergovernmental receipts.

Not posting revenues accurately to the ledgers resulted in the financial statements requiring numerous audit reclassification entries.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of tax revenue, intergovernmental revenue, debt proceeds, interest receipts and all grant funding. Cash receipts should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network receipt line item descriptions. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of financial data throughout the year.

**MONROE TOWNSHIP
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-002 (Continued)

Financial Statement Presentation (Continued)

The Township's financial statements have been adjusted to accurately reflect the proper receipt line item classifications.

Officials' Response:

The Fiscal Officer will review the Township Handbook and make sure to post revenues to the correct code.



Mary Taylor, CPA
Auditor of State

MONROE TOWNSHIP

KNOX 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
MAY 24, 2007**