



**Auditor of State  
Betty Montgomery**



MONROE TOWNSHIP  
LOGAN COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Monroe Township  
Logan County  
7584 Road 47  
West Liberty, Ohio 43357

We have audited the accompanying financial statements of Monroe Township (the "Township") as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using 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 that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, 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 these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 23, 2004

**MONROE TOWNSHIP  
LOGAN 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**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$27,556	\$65,923		\$93,479
Intergovernmental	27,794	73,655	22,270	123,719
Charges for Services	2,914			2,914
Licenses, Permits, and Fees	4,971			4,971
Earnings on Investments	329	399		728
Other Revenue	4,399			4,399
	<u>67,963</u>	<u>139,977</u>	<u>22,270</u>	<u>230,210</u>
<b>Total Cash Receipts</b>				
	<u>67,963</u>	<u>139,977</u>	<u>22,270</u>	<u>230,210</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	53,917	1,431		55,348
Public Safety	13,094			13,094
Public Works		102,553		102,553
Capital Projects			22,270	22,270
	<u>67,011</u>	<u>103,984</u>	<u>22,270</u>	<u>193,265</u>
<b>Total Cash Disbursements</b>				
	<u>67,011</u>	<u>103,984</u>	<u>22,270</u>	<u>193,265</u>
<b>Total Receipts Over Disbursements</b>	<u>952</u>	<u>35,993</u>		<u>36,945</u>
	<u>952</u>	<u>35,993</u>		<u>36,945</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Transfers-In			40,000	40,000
Transfers-Out		(40,000)		(40,000)
		<u>(40,000)</u>	<u>40,000</u>	
<b>Total Other Financing Receipts/(Disbursements)</b>				
		<u>(40,000)</u>	<u>40,000</u>	
Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	952	(4,007)	40,000	36,945
Fund Cash Balances, January 1	28,881	43,208		72,089
	<u>28,881</u>	<u>43,208</u>		<u>72,089</u>
<b>Fund Cash Balances, December 31</b>	<u>\$29,833</u>	<u>\$39,201</u>	<u>\$40,000</u>	<u>\$109,034</u>
Reserves for Encumbrances, December 31	\$470	\$13,172	\$5,000	\$18,642
	<u>\$470</u>	<u>\$13,172</u>	<u>\$5,000</u>	<u>\$18,642</u>

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

**MONROE TOWNSHIP  
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$27,144	\$64,934		\$92,078
Intergovernmental	42,120	67,762	71,132	181,014
Charges for Services	2,914			2,914
Licenses, Permits, and Fees	6,040			6,040
Earnings on Investments	392	526		918
Other Revenue	11,121	30		11,151
	<u>89,731</u>	<u>133,252</u>	<u>71,132</u>	<u>294,115</u>
<b>Total Cash Receipts</b>				
	<u>89,731</u>	<u>133,252</u>	<u>71,132</u>	<u>294,115</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	67,979	871		68,850
Public Safety	12,948			12,948
Public Works		114,236		114,236
Capital Outlay			71,132	71,132
	<u>80,927</u>	<u>115,107</u>	<u>71,132</u>	<u>267,166</u>
<b>Total Cash Disbursements</b>				
	<u>80,927</u>	<u>115,107</u>	<u>71,132</u>	<u>267,166</u>
<b>Total Receipts Over Disbursements</b>	8,804	18,145		26,949
<b>Fund Cash Balances, January 1</b>	<u>20,077</u>	<u>25,063</u>		<u>45,140</u>
<b>Fund Cash Balances, December 31</b>	<u>\$28,881</u>	<u>\$43,208</u>		<u>\$72,089</u>
<b>Reserves for Encumbrances, December 31</b>	<u>\$236</u>	<u>\$1,105</u>	<u>\$0</u>	<u>\$1,341</u>

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



**MONROE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Monroe Township, Logan County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including cemetery maintenance, and road and bridge maintenance. The Township contracts with the Village of West Liberty to provide ambulance and fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

**C. Cash and Investments**

The Township utilizes a checking account which consists of pooled cash from all funds. The Township has no investments.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**Gasoline Tax Fund** - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

**Roads 99 Special Levy Fund** - This fund received property tax monies from a road levy passed in 1999 for constructing, maintaining, and repairing Township roads.

**MONROE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**3. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

**Issue II Fund** - The Township received a grant from the State of Ohio and sales tax money from Logan County for road construction.

**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 carried over to the next fiscal year , and need not be reappropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$109,034</u>	<u>\$72,089</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institutions public entity deposit pool.

**MONROE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

<b>2003 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$64,333	\$67,963	\$3,630
Special Revenue	130,500	139,977	9,477
Capital Projects	40,000	62,270	22,270
Total	<u>\$234,833</u>	<u>\$270,210</u>	<u>\$35,377</u>

<b>2003 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$93,167	\$67,481	\$25,686
Special Revenue	173,651	157,156	16,495
Capital Projects	40,000	27,270	12,730
Total	<u>\$306,818</u>	<u>\$251,907</u>	<u>\$54,911</u>

<b>2002 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$65,922	\$89,731	\$23,809
Special Revenue	117,500	133,252	15,752
Capital Projects	52,953	71,132	18,179
Total	<u>\$236,375</u>	<u>\$294,115</u>	<u>\$57,740</u>

<b>2002 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$74,924	\$81,163	(\$6,239)
Special Revenue	137,569	116,212	21,357
Capital Projects	57,374	71,132	(13,758)
Total	<u>\$269,867</u>	<u>\$268,507</u>	<u>\$1,360</u>

During 2002, the General Fund and the Special Revenue Road Fund had expenditures greater than appropriation which violated the requirements of Ohio Rev. Code Section 5705.41(B).

During 2002, the Capital Projects Fund had appropriations greater than estimated resources and expenditures greater than appropriations which violated Ohio Revised Code Sections 5705.39 and 5705.41(B), respectively. However, all activity reported in the Capital Projects Fund during 2002 represented receipts and expenditures made on be-half of the Township. As a result, noncompliance did not pose a risk for actual cash receipts and expenditures.

**MONROE TOWNSHIP  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property 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.

**5. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries during the audit period. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**6. TRANSFERS**

During 2003, the Township established two Capital Projects Funds, under Ohio Revised Code Section 5705.13(C), to accumulate resources for the construction of a new garage building, and the purchase of a new vehicle. The Township transferred \$20,000 from the Special Revenue Gasoline Tax Fund to each of these funds. These transfers are permitted under Ohio Revised Code Section 5705.13(C).

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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  
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**7. RISK MANAGEMENT (Continued)**

**Casualty Coverage**

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage**

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

**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.

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Monroe Township  
Logan County  
7584 Road 47  
West Liberty, Ohio 43357

We have audited the financial statements of Monroe Township (the "Township") as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 23, 2004, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 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 as item 2003-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report that we have reported to the Township's management in a separate letter dated September 23, 2004.

Monroe Township  
Logan County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Accounting Standards*  
Page 2

This report is intended solely for the information and use of the management, and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

September 23, 2004



**MONROE TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Noncompliance**

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. During 2002, this requirement was violated in the following funds:

<b>December 31, 2002 Line Item</b>	<b>Amount Appropriated</b>	<b>Expended</b>	<b>Unfavorable Variance</b>
General Fund	\$74,924	\$81,163	(\$6,239)
Special Revenue Road Fund	42,269	43,129	(860)

The Township should implement monitoring procedures not only to help assure compliance with this requirement but to help prevent deficit spending.

**MONROE TOWNSHIP  
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2001-40346-001 through 2001-40346-004	Ohio Constitution, Art II, Sec. 20 – Findings for Recovery - Elected officials received in-term increase	Yes	
2001-40346-005	ORC Sec. 5705.39 - Appropriations exceeded estimated resources	Yes	



**Auditor of State  
Betty Montgomery**

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**MONROE TOWNSHIP**

**LOGAN 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 18, 2004**