

***MONROE TOWNSHIP***

**HOLMES COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2010 and 2009**

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of Monroe Township, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Adjustment**

Ohio Rev. Code Section 505.24 (C) sets forth the method by which Township trustees' compensation should be allocated. This section states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the Township general fund or from funds in proportions as the Board may specify by resolution.

In addition, 2004 Opinion Attorney General Number 2004-036 requires the trustees to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees' paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Although the Township passed a resolution as required, supporting documentation in the form of time journals were not documented during 2010 and 2009 to justify the wages in the amount of \$25,470 and \$19,103, respectively, paid from the Road and Bridge, Road District and Gasoline Funds for the Trustee's wages. As documentation was not maintained, the entire salaries should have been paid from the General Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the 2010 and 2009 General Fund and in favor of the Road and Bridge, Road District and Gasoline Funds totaling \$25,470 and \$19,103, respectively.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Monroe Township is responsible for compliance with these laws and regulations.



Dave Yost  
Auditor of State

June 7, 2011

**MONROE TOWNSHIP**  
**HOLMES COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2010 and 2009**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	4
Notes to the Financial Statements	5-11
Independent Accountants Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12-13
Schedule of Findings	14-16
Schedule of Prior Audit Findings	17

**This Page is Intentionally Left Blank.**

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

---

**REPORT OF INDEPENDENT ACCOUNTANTS**

Monroe Township  
Holmes County  
5207 Township Road 257  
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the accompanying financial statements of Monroe Township, Holmes County, Ohio (Township) as and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 years ended December 31, 2010 and 2009. Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2010 and 2009. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its 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.

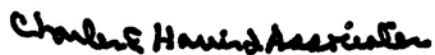
During 2010, the Township paid trustees' wages totaling \$10,612, \$13,443 and \$1,415, respectively, from the Road & Bridge Fund, Road District Fund and the Gasoline Tax Fund. During 2009, the Township paid trustees' wages totaling \$9,198 and \$9,095, respectively, from the Road & Bridge Fund and the Road District Fund without supporting documentation as required by Ohio Revised Code Section 505.24(C) and 2004 Opinion Attorney General Number 2004-036. The Township declined to make these adjustments during this audit period. Had the Township agreed to these adjustments, the effect would have resulted in negative General Fund cash balances at December 31, 2010 and 2009 would have been \$44,648 and \$19,178, respectively. The Road & Bridge Fund cash balances at December 31, 2010 and 2009 would have been \$27,696 and \$17,084, respectively. The Road District Fund cash balances at December 31, 2010 and 2009 would have been \$27,381 and \$13,938, respectively. The Gasoline Tax Fund cash balance at December 31, 2010 would have been \$10,497.

In our opinion, because of the effects of the matter discussed in the preceding three paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, because of the effects of the matter discussed in the second preceding paragraph, the financial statement referred to above do not present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Monroe Township, Holmes County as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2010 and 2009. 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 May 16, 2011 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.



**Charles E. Harris & Associates, Inc.**  
May 16, 2011



**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2010**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 16,627	\$ 152,919	\$ 169,546
Charges for Services	-	23,897	23,897
Intergovernmental	19,236	87,733	106,969
Earnings on Investments	22	44	66
Miscellaneous	862	4,159	5,021
<b>Total Receipts</b>	<b>36,747</b>	<b>268,752</b>	<b>305,499</b>
<b>Disbursements:</b>			
General Government	28,588	13,443	42,031
Public Works	200	166,039	166,239
Health	6,132	1,367	7,499
Capital Outlay	-	66,199	66,199
Debt Service:			
Redemption of Principal	-	29,984	29,984
Interest	-	4,569	4,569
<b>Total Disbursements</b>	<b>34,920</b>	<b>281,601</b>	<b>316,521</b>
<b>Excess Receipts Over Disbursements</b>	<b>1,827</b>	<b>(12,849)</b>	<b>(11,022)</b>
<b>Fund Balance, January 1, 2010</b>	<b>258</b>	<b>24,012</b>	<b>24,270</b>
<b>Fund Balance, December 31, 2010</b>	<b>\$ 2,085</b>	<b>\$ 11,163</b>	<b>\$ 13,248</b>
<b>Reserve for Encumbrances, December 31, 2010</b>	<b>\$ 45</b>	<b>\$ 262</b>	<b>\$ 307</b>

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

**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2009**

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Receipts:</b>			
Property and Other Local Taxes	\$ 17,348	\$ 157,258	\$ 174,606
Charges for Services	-	13,474	13,474
Intergovernmental	18,951	87,289	106,240
Earnings on Investments	20	34	54
Miscellaneous	1,034	-	1,034
<b>Total Receipts</b>	<b>37,353</b>	<b>258,055</b>	<b>295,408</b>
<b>Disbursements:</b>			
General Government	33,699	9,905	43,604
Public Works	598	137,367	137,965
Health	3,389	2,743	6,132
Capital Outlay	26,544	55,952	82,496
Debt Service:			
Redemption of Principal	-	26,843	26,843
Interest	-	5,079	5,079
<b>Total Disbursements</b>	<b>64,230</b>	<b>237,889</b>	<b>302,119</b>
<b>Other Financing Sources:</b>			
Proceeds of Loan	26,544	-	26,544
<b>Total Other Financing Sources</b>	<b>26,544</b>	<b>-</b>	<b>26,544</b>
<b>Excess Receipts and Other Financing Sources Over Disbursements</b>	<b>(333)</b>	<b>20,166</b>	<b>19,833</b>
<b>Fund Balance, January 1, 2009</b>	<b>591</b>	<b>3,846</b>	<b>4,437</b>
<b>Fund Balance, December 31, 2009</b>	<b>\$ 258</b>	<b>\$ 24,012</b>	<b>\$ 24,270</b>
<b>Reserve for Encumbrances, December 31, 2009</b>	<b>\$ 45</b>	<b>\$ 262</b>	<b>\$ 307</b>

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

**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

Monroe Township, Holmes County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides road and bridge maintenance. Fire protection and emergency medical services are provided by the Western Holmes County Fire District.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

**B. BASIS OF ACCOUNTING**

The Township prepares its financial statements following 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.)

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

**C. CASH**

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. FUND ACCOUNTING**

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**Governmental Fund Types:**

**General Fund:** The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

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

D. **FUND ACCOUNTING** – (continued)

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

- *Road and Bridge Fund* – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- *Gasoline Tax Fund* - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.
- *Motor Vehicle License Tax Fund* - This fund receives motor vehicle license tax money to pay for constructing, maintaining, and repairing Township roads.

E. **BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. **Estimated Resources**

The county auditor calculates the estimated revenues available to the Township. She prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

2. **Estimated Resources**

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 6, do not include the unencumbered fund balances as of January 1, 2010 and 2009. However, those fund balances are available for appropriation.

MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009

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

E. **BUDGETARY PROCESS - (continued)**

2. **Appropriations**

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. **Encumbrances**

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried over at year-end.

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

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

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

	<b>2009</b>	<b>2010</b>
Demand Deposits	\$24,270	\$13,248

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

**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

**3. PROPERTY TAXES**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Holmes County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the Township was completed in 2010. The next update is scheduled for 2013.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Holmes County Treasurer collects property taxes on behalf of the Township. The Holmes County Auditor remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

**4. RETIREMENT SYSTEM**

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10% of their gross pay while the Township contributed an amount equal to 14% of covered payroll. The Township paid all required contributions through 2010.

**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

**5. DEBT**

Debt outstanding at December 31, 2010, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Commercial and Savings Bank Dump Truck	\$19,428	4.82%
Commercial and Savings Bank Grader	<u>52,701</u>	4.83%
Total	<u><u>\$72,129</u></u>	

The December 31, 2008 outstanding principal balance for the back hoe should have been \$1,825 instead of \$10,289.

The Commercial and Savings Bank Dump Truck was issued on September 10, 2009 was issued in the amount of \$26,544 for the purpose of paying for a dump truck for the Township roads. The note matures in September 2014. The Township makes monthly payments of \$499 with the first payment due on October 2009. The loan is collateralized by the Township's taxing authority.

The Commercial and Savings Bank grader was issued on November 20, 2007 was issued in the amount of \$123,647 for the purpose of paying for a grader. The note matures in September 2012. The Township annual payments total \$27,994. The loan is collateralized by the Township's taxing authority.

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

	<u>Dump Truck</u>	<u>Grader</u>
Year ending December 31:		
2011	\$5,994	\$27,994
2012	5,994	27,918
2013	5,994	-
2014	<u>3,184</u>	-
Total	<u>\$21,166</u>	<u>\$55,912</u>

**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

**6. BUDGETARY ACTIVITY**

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

<u>2010 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 36,713	\$ 34,965	\$ 1,748
Special Revenue	292,849	281,863	10,986

<u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 40,578	\$ 64,275	\$ (23,697)
Special Revenue	264,646	238,151	26,495

<u>2010 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 39,118	\$ 36,747	\$ (2,371)
Special Revenue	272,147	268,752	(3,395)

<u>2009 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 40,280	\$ 63,897	\$ 23,617
Special Revenue	263,587	258,055	(5,532)

**7. RISK MANAGEMENT**

The Monroe Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability

Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

The District pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.



**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

**8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS**

Management believes there are no pending claims or lawsuits.

**9. NONCOMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41 (D), no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The Township did not always certify funds.

Contrary to Ohio Revised Code Section 5705.41 (B), prohibits a subdivision from making expenditures unless they have been appropriated. The Township had expenditures plus encumbrances exceeding appropriations.

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

Monroe Township  
Holmes County  
5207 Township Road 257  
Millersburg, Ohio 44654

To the Board of Trustees:

We have audited the financial statements of Monroe Township, Holmes County Ohio (the Township) as of and for the years ended December 31, 2010 & 2009, and have issued our report thereon dated May 16, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. Also, we qualified our opinion due to Trustee wages being paid out of special funds without supporting documentation in 2009 and 2010 and have not been adjusted by the Township. 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 Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-MTHC-02 and 2010-MTHC-03 described in the accompanying schedule of findings to be material weaknesses.

### 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 grants 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described as items 2010-MTHC-01 through 2010-MTHC-03.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

*Charles E. Harris Associates*

***Charles E. Harris and Associates, Inc.***

May 16, 2011

**MONROE TOWNSHIP  
HOLMES COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2010 and 2009**

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

**Finding Number 2010-MTHC-01 – Non-Compliance Citation**

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

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

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

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

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

**MONROE TOWNSHIP  
HOLMES COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2010 and 2009**

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

**Finding Number 2010-MTHC-01 – Non-Compliance Citation (continued)**

The Township did not make the proper certification of funds in all instances. Twenty eight of 64 selections tested during the audit period had the certifications after the obligation date with no evidence of the fiscal officer utilizing any of the above mentioned exceptions.

Ohio Rev. Code 5705.41(d) requires the fiscal officer to certify the funds are available or in the process of collection and unencumbered. We recommend that the Township certify expenditures prior to incurring the liability.

**Management’s Response:** Management will use “then and now” certificates to properly certify funds.

**Finding Number 2010-MTHC-02 – Non-Compliance Citation and Material Weakness**

Ohio Rev. Code Section 505.24 (C) sets forth the method by which Township trustees’ compensation should be allocated. This section states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually be a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the Township general fund or from funds in proportions as the Board may specify by resolution.

In addition, 2004 Opinion Attorney General Number 2004-036 requires the trustees to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on Township business and the type of service performed, in a manner similar to trustees’ paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

Although the Township passed a resolution as required, supporting documentation in the form of time journals were not documented during 2010 and 2009 to justify the wages in the amount of \$25,470 and \$19,103, respectively, paid from the Road & Bridge, Road District and Gasoline Funds for the Trustee’s wages. As documentation was not maintained, the entire salaries should have been paid from the General Fund.

The financial statements and the Township’s books were not adjusted to reflect the correct activity. This matter has been communicated to the Auditor of State.

**Management’s Response:** Management felt that they were doing what had been advised to do. Going forward Management will look at what can be re-allocated from the general fund to special revenue and pay Trustees out of General Fund as much as possible.

**MONROE TOWNSHIP  
HOLMES COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2010 and 2009**

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

**Finding Number 2010-MTHC-03 – Non-Compliance Citation and Material Weakness**

In 2009, the Township obtained a \$26,544 loan from Commercial and Saving Bank for a dump truck. The Township did not record the proceeds of the loan nor the corresponding capital outlay in their books.

The adjustment for the capital outlay caused expenditures plus encumbrances to exceed appropriations by \$23,697 in the General Fund. Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing authority shall make any expenditure of money unless it has been appropriated and unless it has been appropriated as provided in such chapter.

Also, the Township improperly recorded redemption of principal and interest in their books in both years. The Township recorded several payments in capital outlay and one payment in public works. Further, the Township did not separate payments between principal and interest. The full amount of the payment was either recorded in principal or interest. The financial statements were adjusted to reflect the correct activity.

We recommend that the Township properly record proceeds of loan, principal and interest in their books. This will properly reflect the activity of Township transactions and minimize the possibility of noncompliance in the future.

**Management's Response:** Management will record the proceeds of loans in the future.

**MONROE TOWNSHIP  
HOLMES COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2010 and 2009**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2008-01	Ohio Revised Code Section 5705.39 – Appropriations exceeded estimated resources.	Yes	No Longer Valid
2008-02	Ohio Revised Code Section 5705.41 (B) – The Township had expenditures plus encumbrances exceeding appropriations	No	Repeated as 2010-MTHC- 03

**This Page is Intentionally Left Blank.**





# Dave Yost • Auditor of State

**MONROE TOWNSHIP**

**HOLMES COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2011**