



**Auditor of State
Betty Montgomery**

**MONROE TOWNSHIP
HOLMES COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, (the Township) as of and for the years ended December 31, 2002 and 2001. 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed 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, 2002 and 2001, 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 November 5, 2003 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.

Monroe Township
Holmes County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 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

November 5, 2003

**MONROE TOWNSHIP
HOLMES 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>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$10,832	\$44,789		\$55,621
Intergovernmental	25,415	80,008	\$49,433	154,856
Charges for Services		11,639		11,639
Earnings on Investments	1,231	90		1,321
Other Revenue	1,974			1,974
	<u>39,452</u>	<u>136,526</u>	<u>49,433</u>	<u>225,411</u>
Total Cash Receipts				
	<u>39,452</u>	<u>136,526</u>	<u>49,433</u>	<u>225,411</u>
Cash Disbursements:				
Current:				
General Government	29,411	5,955		35,366
Public Works		117,674		117,674
Health	5,837			5,837
Debt Service:				
Redemption of Principal		4,350		4,350
Interest and Fiscal Charges		168		168
Capital Outlay		18,327	49,433	67,760
	<u>35,248</u>	<u>146,474</u>	<u>49,433</u>	<u>231,155</u>
Total Cash Disbursements				
	<u>35,248</u>	<u>146,474</u>	<u>49,433</u>	<u>231,155</u>
Total Receipts Over/(Under) Disbursements	<u>4,204</u>	<u>(9,948)</u>	<u>0</u>	<u>(5,744)</u>
Other Financing Receipts and (Disbursements):				
Loan Proceeds		2,200		2,200
	<u>0</u>	<u>2,200</u>	<u>0</u>	<u>2,200</u>
Total Other Financing Receipts/(Disbursements)				
	<u>0</u>	<u>2,200</u>	<u>0</u>	<u>2,200</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,204	(7,748)		(3,544)
Fund Cash Balances, January 1	<u>37,574</u>	<u>9,379</u>	<u>80</u>	<u>47,033</u>
Fund Cash Balances, December 31	<u>\$41,778</u>	<u>\$1,631</u>	<u>\$80</u>	<u>\$43,489</u>
Reserve for Encumbrances, December 31	<u>\$45</u>	<u>\$255</u>	<u>\$0</u>	<u>\$300</u>

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

**MONROE TOWNSHIP
HOLMES COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$9,539	\$42,946		\$52,485
Intergovernmental	27,760	68,254	\$80	96,094
Charges for Services		9,470		9,470
Earnings on Investments	437	129		566
Other Revenue	1,273			1,273
	<u>39,009</u>	<u>120,799</u>	<u>80</u>	<u>159,888</u>
Total Cash Receipts				
	<u>39,009</u>	<u>120,799</u>	<u>80</u>	<u>159,888</u>
Cash Disbursements:				
Current:				
General Government	39,419			39,419
Public Works	740	83,448		84,188
Health	5,783			5,783
Debt Service:				
Redemption of Principal	2,300	3,954		6,254
Interest and Fiscal Charges	156			156
Capital Outlay		36,775		36,775
	<u>48,398</u>	<u>124,177</u>	<u>0</u>	<u>172,575</u>
Total Cash Disbursements				
	<u>48,398</u>	<u>124,177</u>	<u>0</u>	<u>172,575</u>
Total Receipts Over/(Under) Disbursements	<u>(9,389)</u>	<u>(3,378)</u>	<u>80</u>	<u>(12,687)</u>
Other Financing Receipts and (Disbursements):				
Loan Proceeds		2,150		2,150
Transfers-In	21,609			21,609
Transfers-Out		(21,609)		(21,609)
Insurance Reimbursement	35,084			35,084
	<u>56,693</u>	<u>(19,459)</u>	<u>0</u>	<u>37,234</u>
Total Other Financing Receipts/(Disbursements)				
	<u>56,693</u>	<u>(19,459)</u>	<u>0</u>	<u>37,234</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	47,304	(22,837)	80	24,547
Fund Cash Balances, January 1	(9,730)	32,216		22,486
Fund Cash Balances, December 31	<u>\$37,574</u>	<u>\$9,379</u>	<u>\$80</u>	<u>\$47,033</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$146</u>	<u>\$0</u>	<u>\$146</u>

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

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 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

Certificates of deposit are valued at cost.

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.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Motor Vehicle License Tax – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

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 significant capital project funds:

Issue II Fund - The Township received a grant in 2002 from the State of Ohio to reconstruct the intersection of Township Roads 258 & 259.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

The Township maintains a cash 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:

	2002	2001
Demand deposits	\$7,448	\$11,949
Certificates of deposit	36,041	35,084
Total deposits	\$43,489	\$47,033

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,410	\$39,452	\$2,042
Special Revenue	140,875	138,726	(2,149)
Capital Projects	0	49,433	49,433
Total	\$178,285	\$227,611	\$49,326

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$28,786	\$35,293	(\$6,507)
Special Revenue	108,924	146,729	(37,805)
Capital Projects	0	49,433	(49,433)
Total	\$137,710	\$231,455	(\$93,745)

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$44,301	\$95,702	\$51,401
Special Revenue	133,903	122,949	(10,954)
Capital Projects	61,891	80	(61,811)
Total	\$240,095	\$218,731	(\$21,364)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,432	\$48,398	(\$15,966)
Special Revenue	128,860	145,932	(17,072)
Capital Projects	0	0	0
Total	\$161,292	\$194,330	(\$33,038)

Contrary to Ohio Rev. Code Section 5705.41(B), 2002 expenditures exceeded appropriation authority in the General, Special Revenue Road District, and Road and Bridge, and Capital Projects funds by \$6,507, \$31,161, \$6,592 and \$49,433, respectively.

In 2001, expenditures exceeded appropriation authority in the General and Special Revenue Road and Bridge Funds by \$15,966 and \$18,428, respectively.

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.

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 Ohio Public Employees Retirement System (OPERS). OPERS is a 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.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles
- Property
- Inland marine

7. INSURANCE REIMBURSEMENT

In 2001, the Township received approximately \$35,000 in an insurance reimbursement for damage sustained to the Township Hall.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of Monroe Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated November 5, 2003. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated November 5, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated November 5, 2003.

This report is intended solely for the information and use of management and the 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

November 5, 2003

**MONROE TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was both at the time that the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the Clerk may authorize payment through a Then and Now Certificate without the affirmation of the Board of Trustees if such expenditure is otherwise lawful.

For 2002 and 2001, 30% and 52% of expenditures tested, respectively, were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions noted above were utilized for the items to be found in noncompliance. To avoid overspending, the Township should certify the availability of funds prior to incurring the obligation for expenditures.

FINDING NUMBER 2002-002

Noncompliance Citation

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

At December 31, 2002 and 2001, fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

**FINDING NUMBER 2002-002
 (Continued)**

Noncompliance Citation (Continued)

Ohio Rev. Code Section 5705.41(B) (Continued)

2002

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$28,786	(\$35,293)	(\$6,507)
Road District	17,300	(48,461)	(31,161)
Capital Projects	0	(49,433)	(49,433)
Road and Bridge	25,070	(31,662)	(6,592)

2001

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Variance</u>
General	\$32,432	(\$48,398)	(\$15,966)
Road and Bridge	24,148	(42,576)	(18,428)

In addition, appropriations posted to the Township's Appropriation Reports did not always agree to the Township's actual Annual Appropriation Measure plus supplemental appropriations. The Clerk should frequently compare actual disbursements plus outstanding encumbrances to appropriations at the legal level of budgetary control to avoid overspending. In addition, the Clerk should periodically review the Township's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

FINDING NUMBER 2002-003

Reportable Condition

Bank Reconciliations

The Clerk prepares monthly bank-to-book reconciliations that the Board of Trustees review and sign. However, monthly bank-to-book reconciliations for the Township's bank account were not performed for September, October, November, and December 2002, until August 2003. The lack of timely and complete monthly bank-to-book reconciliations increases the possibility that errors may occur and not be detected timely. In addition, the Township's ability to identify lingering reconciling items, including stale dated checks, is impaired.

The Township Clerk should perform bank-to-book reconciliations each month.

**MONROE TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40938-001	Ohio Rev. Code 5705.41(D) - For 21 of 60 transactions tested, the Township did not obtain certification from the Clerk prior to incurring the obligation.	No	Not corrected. Reported as Finding Number 2002-001.
2000-40938-002	Ohio Rev. Code Section 505.24 - the Township Trustees were paid from funds other than General Fund without a resolution documenting time spent on Township road maintenance.	No	Partially corrected. Reported in the Management Letter.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 16, 2003**