



**MONROE TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MONROE TOWNSHIP
HOLMES COUNTY

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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, (the Township) as of and for the years ended December 31, 2000 and 1999. 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 audits.

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 audits 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 audits provide 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, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As discussed in Note 10 to the financial statements, the Township has a negative cash fund balance in the General Fund of \$9,730 at December 31, 2000, and it is uncertain as to how the Township will eliminate the negative fund balance and provide for general operating needs. This condition raises substantial doubt about the Township's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 10. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2001, 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 audits.

Monroe Township
Holmes County
Report of Independent Accountants
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.

Jim Petro
Auditor of State

June 15, 2001

**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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$9,109	\$53,934	\$63,043
Intergovernmental	59,431	173,533	232,964
Charges for Services		25,464	25,464
Earnings on Investments	1,141	197	1,338
Miscellaneous	2,281		2,281
	<u>71,962</u>	<u>253,128</u>	<u>325,090</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	47,074		47,074
Public Works	1,975	65,862	67,837
Health	5,837		5,837
Conservation - Recreation	7		7
Debt Service:			
Redemption of Principal	1,300	12,437	13,737
Interest and Fiscal Charges	300	761	1,061
Capital Outlay	5,863	184,510	190,373
	<u>62,356</u>	<u>263,570</u>	<u>325,926</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>9,606</u>	<u>(10,442)</u>	<u>(836)</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		26,451	26,451
Transfers-Out	(26,451)		(26,451)
Advances-In	4,350	4,350	8,700
Advances-Out	(4,350)	(4,350)	(8,700)
	<u>(26,451)</u>	<u>26,451</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements and Other Financing Disbursements	(16,845)	16,009	(836)
Fund Cash Balances, January 1	<u>7,115</u>	<u>16,207</u>	<u>23,322</u>
Fund Cash Balances, December 31	<u>(\$9,730)</u>	<u>\$32,216</u>	<u>\$22,486</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$10,434	\$51,603	\$62,037
Intergovernmental	32,102	54,785	86,887
Charges for Services		13,616	13,616
Earnings on Investments	731	177	908
Miscellaneous	455		455
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	43,722	120,181	163,903
Cash Disbursements:			
Current:			
General Government	36,418		36,418
Public Works	2,102	72,857	74,959
Health	4,367		4,367
Debt Service:			
Redemption of Principal	1,170	11,808	12,978
Interest and Fiscal Charges	310	1,511	1,821
Capital Outlay		39,190	39,190
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	44,367	125,366	169,733
Total Cash Receipts (Under) Cash Disbursements	(645)	(5,185)	(5,830)
Other Financing Receipts/(Disbursements):			
Advances-In		12,000	12,000
Advances-Out	(12,000)		(12,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(12,000)	12,000	0
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements and Other Financing Disbursements	(12,645)	6,815	(5,830)
Fund Cash Balances, January 1	19,760	9,392	29,152
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$7,115	\$16,207	\$23,322
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$0

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

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

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 general governmental services, which includes road maintenance. Fire protection is 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 cash 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

The Township has an interest bearing checking account and no investments.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

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

Road District Fund - This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	<u>\$22,486</u>	<u>\$23,322</u>

Deposits are insured by the Federal Depository Insurance Corporation.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,509	\$ 76,312	\$ 37,803
Special Revenue	<u>275,742</u>	<u>283,929</u>	<u>8,187</u>
Total	<u>\$ 314,251</u>	<u>\$ 360,241</u>	<u>\$ 45,990</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 93,677	\$ 93,157	\$ 520
Special Revenue	<u>271,455</u>	<u>267,920</u>	<u>3,535</u>
Total	<u>\$ 365,132</u>	<u>\$ 361,077</u>	<u>\$ 4,055</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 22,757	\$ 43,722	\$ 20,965
Special Revenue	<u>141,742</u>	<u>132,181</u>	<u>(9,561)</u>
Total	<u>\$ 164,499</u>	<u>\$ 175,903</u>	<u>\$ 11,404</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 59,226	\$ 56,367	\$ 2,859
Special Revenue	<u>135,667</u>	<u>125,366</u>	<u>10,301</u>
Total	<u>\$ 194,893</u>	<u>\$ 181,733</u>	<u>\$ 13,160</u>

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The information presented in the table above includes audit adjustments, both budget and actual, for a portion of the Township Trustees salaries' which were reclassified to the General Fund from the Special Revenue Fund Type during 2000 and 1999.

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not certify the availability of funds for certain expenditures during 2000 and 1999.

Contrary to Ohio Rev. Code Section 505.24, the Township Trustees were paid from the Gas Tax Fund and Road and Bridge Fund during the audit period. There was no resolution in effect which indicated that Trustees' salaries should be paid from any fund other than the General Fund. However, on April 26, 2001, the Board of Trustees passed a resolution retroactive to January 1, 1999, which allowed one-half of all of the Township Trustees' salaries to be paid from the Road and Bridge Fund and General Fund, based on the estimated level of service provided by the Trustees during the audit period.

5. PROPERTY TAX

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

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.

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	<u>\$ 9,628</u>	5.75%

The general obligation note was issued to finance the purchase of a new dump truck to be used for Township road maintenance.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>General Obligation Note</u>
2001	\$9,889

7. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer 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. For 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 10.84% in 2000 and 13.55% in 1999 of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

The Township is a defendant in several lawsuits. Although the outcome of these suits are not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**MONROE TOWNSHIP
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

10. NEGATIVE CASH FUND BALANCE

As discussed in Note 4, on April 26, 2001, the Board of Trustees passed a resolution retroactive to January 1, 1999, which allowed one-half of all of the Township Trustees' salaries to be paid from the Road and Bridge Fund and one-half to be paid from the General Fund, based on the estimated level of service provided by the Trustees during the audit period. Based on the resolution, a total of \$18,602 was reclassified as an expenditure in the General Fund, rather than an expenditure from the Special Revenue Fund Type. This caused the \$9,730 negative cash fund balance in the General Fund as of December 31, 2000. It is uncertain how the Township will both eliminate the negative cash fund balance and continue to provide for general operating needs of the Township. Furthermore, the estimated revenues are not expected to be sufficient to offset budgeted expenditures and minimize the negative cash fund balance in the General Fund during 2001.

Management has developed a plan to scrutinize the annual budget and to monitor General Fund expenses on a more regular basis. In addition, the Township Trustees have passed resolutions on April 26, 2001, and June 11, 2001, which authorized requests for transfers of \$9,900 and \$13,200, respectively, from the Road and Bridge Fund to the General Fund. A petition has been filed with the Court of Common Pleas in Holmes County for approval of these transfers; however, the outcome of this petition is unknown as of the date of this report.



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**REPORT OF INDEPENDENT ACCOUNTANTS 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, 2000 and 1999, and have issued our report thereon dated June 15, 2001, which identifies a condition which raises substantial doubt about the Township's ability to continue as a going concern. As discussed in Note 10 to the financial statements, the Township has a negative cash fund balance in the General Fund of \$9,730 at December 31, 2000, and it is uncertain as to how the Township will eliminate the negative fund balance and provide for general operating needs. We conducted our audits 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 audits 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 2000-40938-001 and 2000-40938-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 15, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, 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. 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 do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain 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 June 15, 2001.

Monroe Township
Holmes County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended 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.

Jim Petro
Auditor of State

June 15, 2001

**MONROE TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40938-001

Noncompliance Citation

Ohio Rev. Code Section 505.24 states the Township Trustees shall be paid from the township general fund or from such other township funds in such proportions as the board may specify by resolution. This means the salary resolution must allocate the salary distribution from various funds in the same proportion as the trustees' services bear to the activities supported by such funds, as determined by the Board.

During our audits, we noted that the Township Trustees were paid a portion of their salary from the Road and Bridge Fund (Special Revenue Fund Type.) There was no resolution in effect which indicated that Trustees' salaries should be paid from any fund other than the General Fund. However, on April 26, 2001, the Board of Trustees passed a resolution retroactive to January 1, 1999, which allowed one-half of all of the Township Trustees' salaries to be paid from the Road and Bridge Fund and one-half to be paid from the General Fund, based on the estimated level of service provided by the Trustees during the audit period. The percentages indicated in that resolution reflect the percentages of the Township Trustees' salaries allocated during the period. Based on this percentage, a combined total of \$10,503 in 2000 and \$8,099 in 1999 should have been paid from the General Fund. Because of this, a total of \$18,602 was reclassified as an expenditure in the General Fund, rather than as an expenditure from the Special Revenue Fund. This caused the \$9,730 negative cash fund balance in the General Fund as of December 31, 2000.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code 505.24, a Finding for Adjustment for public monies incorrectly expended is hereby issued against the General Fund and in favor of the Road and Bridge Fund, in the amount of \$18,602 as of December 31, 2000.

Although these adjustments are reflected in the accompanying financial statements, the Township has not recorded them in their books and records until after the audit period.

FINDING NUMBER 2000-40938-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of 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.
2. If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

FINDING NUMBER 2000-40938-002 (Continued)

During the audit period, 35% of the expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance.

The Township should certify the availability of funds prior to incurring the obligation and also implement the use of so called Then and Now certificates and Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 12, 2001**