

HARDY TOWNSHIP

AUDIT REPORT

JANUARY 1, 2003 – DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Hardy Township, Holmes County
9430 Township Road 304, Route 2
Millersburg, Ohio 44654

We have reviewed the *Independent Auditor's Report* of Hardy Township, Holmes County, prepared by Wolfe, Wilson, & Phillips, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

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 *Independent Auditor's Report* 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 *Independent Auditor's Report* 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. Hardy Township, Holmes County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

May 19, 2005

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**HARDY TOWNSHIP
HOLMES COUNTY**

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Hardy Township
Holmes County
9430 Township Rd. 304
Millersburg, Ohio 44654

We have audited the accompanying financial statements of Hardy Township, Holmes County as of and for the years ended December 31, 2004 and 2003. 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 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Hardy Township's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Hardy Township, Holmes County, as of December 31, 2004 and 2003, 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 a report dated April 7, 2005, on our consideration of Hardy Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 7, 2005

**HARDY 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, 2004**

	Governmental Fund Type		(Memorandum Only) Totals
	General	Special Revenue	
CASH RECEIPTS:			
Local taxes	\$ 50,675	\$ 82,389	\$ 133,064
Intergovernmental	35,592	83,836	119,428
Interest	5,801	107	5,908
Miscellaneous	3,583	456	4,039
TOTAL CASH RECEIPTS	<u>95,651</u>	<u>166,788</u>	<u>262,439</u>
CASH DISBURSEMENTS:			
Current:			
General government	86,946	-	86,946
Public work activities	71,992	122,482	194,474
Public health services	16,136	-	16,136
Capital outlay	-	600	600
TOTAL CASH DISBURSEMENTS	<u>175,074</u>	<u>123,082</u>	<u>298,156</u>
TOTAL CASH RECEIPTS OVER CASH DISBURSEMENTS	(79,423)	43,706	(35,717)
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Other Financing Sources	1,086	35,797	36,883
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>1,086</u>	<u>35,797</u>	<u>36,883</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(78,337)	79,503	1,166
FUND CASH BALANCE - JANUARY 1	<u>606,418</u>	<u>196,228</u>	<u>802,646</u>
FUND CASH BALANCE - DECEMBER 31	<u>\$ 528,081</u>	<u>\$ 275,731</u>	<u>\$ 803,812</u>
RESERVED FOR ENCUMBRANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

**HARDY 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, 2003**

	Governmental Fund Type		(Memorandum Only) Totals
	General	Special Revenue	
CASH RECEIPTS:			
Local taxes	\$ 46,440	\$ 74,053	\$ 120,493
Intergovernmental	58,735	73,037	131,772
Interest	11,663	188	11,851
Miscellaneous	686	470	1,156
TOTAL CASH RECEIPTS	<u>117,524</u>	<u>147,748</u>	<u>265,272</u>
CASH DISBURSEMENTS:			
Current:			
General government	89,531	-	89,531
Public work activities	157,542	194,539	352,081
Public health services	16,136	-	16,136
Capital outlay	14,950	2,980	17,930
TOTAL CASH DISBURSEMENTS	<u>278,159</u>	<u>197,519</u>	<u>475,678</u>
TOTAL CASH RECEIPTS OVER CASH DISBURSEMENTS	(160,635)	(49,771)	(210,406)
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)			
Other Financing Sources	5,579	-	5,579
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS)	<u>5,579</u>	<u>-</u>	<u>5,579</u>
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(155,056)	(49,771)	(204,827)
FUND CASH BALANCE - JANUARY 1	<u>761,474</u>	<u>245,999</u>	<u>1,007,473</u>
FUND CASH BALANCE - DECEMBER 31	<u>\$ 606,418</u>	<u>\$ 196,228</u>	<u>\$ 802,646</u>
RESERVED FOR ENCUMBRANCES, DECEMBER 31	<u>\$ 34,016</u>	<u>\$ 2,939</u>	<u>\$ 36,955</u>

See notes to financial statements.

**HARDY TOWNSHIP
HOLMES COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Description of the Entity

The Township of Hardy, Holmes County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by the Holmes County Sheriff's Department under annual contract.

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 expenditures when a commitment is made (i.e., when an encumbrance is approved.) These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

All cash is maintained in a pooled checking account. Certificates of deposits are valued at cost.

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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**HARDY TOWNSHIP
HOLMES COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Gasoline Tax Fund – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

Road and Bridges Fund – This fund receives real estate and personal property tax money for the construction, repair and maintenance of township roads and bridges.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

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. Unencumbered appropriations lapse at year-end.

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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A Summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**HARDY TOWNSHIP
HOLMES COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

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>2004</u>	<u>2003</u>
Demand Deposits	\$ 292,947	\$ 291,781
Certificates of Deposits	<u>510,865</u>	<u>510,865</u>
Total Deposits	<u>\$ 803,812</u>	<u>\$ 802,646</u>

Deposits:

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. Budgetary Activity

Budgetary activity for the years ended December 31, 2004 and 2003 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 113,805	\$ 96,737	\$ (17,068)
Special Revenue	<u>153,470</u>	<u>202,585</u>	<u>49,115</u>
Total	<u>\$ 267,275</u>	<u>\$ 299,322</u>	<u>\$ 32,047</u>

2004 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 468,198	\$ 175,074	\$ 293,124
Special Revenue	<u>192,800</u>	<u>123,082</u>	<u>69,718</u>
Total	<u>\$ 660,998</u>	<u>\$ 298,156</u>	<u>\$ 362,842</u>

**HARDY TOWNSHIP
HOLMES COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

3. Budgetary Activity (continued)

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 89,869	\$ 123,103	\$ 33,234
Special Revenue	<u>142,560</u>	<u>147,748</u>	<u>5,188</u>
Total	<u>\$ 232,429</u>	<u>\$ 270,851</u>	<u>\$ 37,422</u>

2003 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 536,966	\$ 312,175	\$ 224,791
Special Revenue	<u>362,400</u>	<u>200,458</u>	<u>161,942</u>
Total	<u>\$ 899,366</u>	<u>\$ 512,633</u>	<u>\$ 386,733</u>

4. Property Tax

Real property taxes become a lien on January 1 proceeding 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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Retirement Systems

The Township's Trustees, Clerk and other employees of the Township 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 health care, 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 2004 and 2003, members of PERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**HARDY TOWNSHIP
HOLMES COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

7. Risk Management

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation. If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003, the latest information available.

Casualty Coverage	2003
Assets	<u>\$ 27,792,223</u>
Liabilities	<u>(11,791,300)</u>
Retained Earnings	<u>\$ 16,000,923</u>
Property Coverage	2003
Assets	<u>\$ 6,791,060</u>
Liabilities	<u>(750,956)</u>
Retained Earnings	<u>\$ 6,040,104</u>

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Hardy Township
Holmes County
9430 Township Rd. 304
Millersburg, Ohio 44654

We have audited the financial statements of Hardy Township as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated April 7, 2005, 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. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hardy Township 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 an opinion 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 that might be material weakness. A material weakness is a reportable 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 caused by error or fraud 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 other matters involving internal control over financial reporting that we have reported to management in a separate letter dated April 7, 2005.

Compliance

As part of obtaining reasonable assurance about whether Hardy Township's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the management of Hardy Township in a separate letter dated April 7, 2005.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
April 7, 2005

**HARDY TOWNSHIP
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	ORC 5705.41(D) Invoice dated prior to fiscal certification	No	Partially Corrected. Minimal compared to 2002 and 2001. Included in management letter for this audit period.



**Auditor of State
Betty Montgomery**

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800-282-0370
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HARDY 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
MAY 31, 2005**