

***HARRISVILLE TOWNSHIP***

**MEDINA COUNTY, OHIO**

**AUDIT REPORT**

**For the Year Ended December 31, 2004**

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





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Harrisville Township, Medina County  
209 Railroad Street  
P. O. Box 278  
Lodi, Ohio 44254-0278

We have reviewed the *Report of Independent Accountants* of Harrisville Township, Medina County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 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. Harrisville Township, Medina 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

August 23, 2005

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**HARRISVILLE TOWNSHIP**  
**MEDINA COUNTY, OHIO**  
**Audit Report**  
**For the year ended December 31, 2004**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Report of Independent Accountants	1
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004	2
Notes to the Financial Statements	3-7
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Status of Prior Year's Citations and Recommendations	9

**REPORT OF INDEPENDENT ACCOUNTANTS**

To the Trustees of Harrisville Township  
Harrisville Township  
Lodi, Ohio

We have audited the accompanying financial statements of the Harrisville Township (the Township), as of and for the year ended December 31, 2004. 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 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 the accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year ended.

Also, 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 Harrisville Township, Medina County, Ohio, as of December 31, 2004 and its combined cash receipts and disbursements for the year ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2005, 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 grant agreements and other matters. That report describes the scope of our testing of internal controls over financial reporting and compliance and the results of testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Charles E. Harris & Associates, Inc.*  
June 24, 2005

**HARRISVILLE TOWNSHIP  
MEDINA COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN  
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
For the Year Ended December 31, 2004**

	<u>Governmental Fund Types</u>		<u>(Memorandum Only) Total</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 32,808	\$ 294,089	\$ 326,897
Intergovernmental	49,862	110,560	160,422
Licenses, Permits and Fees	2,671	-	2,671
Fines, Forfeitures and Penalties	750	-	750
Earnings on Investments	6,466	1,572	8,038
<b>Total Cash Receipts</b>	<b>92,557</b>	<b>406,221</b>	<b>498,778</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	70,078	-	70,078
Public Safety	-	83,300	83,300
Public Works	-	176,306	176,306
Health	3,484	-	3,484
Other	-	7,761	7,761
<b>Total Cash Disbursements</b>	<b>73,562</b>	<b>267,367</b>	<b>340,929</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>18,995</b>	<b>138,854</b>	<b>157,849</b>
<b>Fund Balance, January 1, 2004</b>	<b>252,020</b>	<b>525,004</b>	<b>777,024</b>
<b>Fund Balance, December 31, 2004</b>	<b>\$ 271,015</b>	<b>\$ 663,858</b>	<b>\$ 934,873</b>
<b>Reserve for Encumbrances, December 31, 2004</b>	<b>\$ -</b>	<b>\$ 719</b>	<b>\$ 719</b>

See accompanying Notes to the Financial Statements.

HARRISVILLE TOWNSHIP  
MEDINA COUNTY, OHIO

Notes To The Financial Statements  
For The Year Ended December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Harrisville Township, (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 and cemetery maintenance. The Township contracts with the Village of Lodi to provide fire and ambulance services.

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

B. **BASIS OF ACCOUNTING**

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

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

C. **CASH AND INVESTMENTS**

Investments are reported as assets. 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.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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 of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.



HARRISVILLE TOWNSHIP  
MEDINA COUNTY, OHIO

Notes To The Financial Statements  
For The Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

*Gasoline Tax Fund* – This fund receives gasoline tax monies from State of Ohio for construction and repair of Township streets.

*Road & Bridge Fund* – This fund receives property tax money levied for the funding of the repair of the Township's roads.

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 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 balances 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 carried over, and need not be reappropriated.

A summary of 2004 budgetary activity appears in Note 3.

HARRISVILLE TOWNSHIP  
MEDINA COUNTY, OHIO

Notes To The Financial Statements  
For The Year Ended December 31, 2004

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 AND INVESTMENTS

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

	<u>2004</u>
Demand Deposits	\$ 86,347
Certificates of Deposit	300,000
STAR Ohio	<u>548,527</u>
Total deposits and investments	\$ <u>934,874</u>

*Deposits:* Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by the financial institution's public entity deposit pool.

*Investments:* Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**HARRISVILLE TOWNSHIP  
MEDINA COUNTY, OHIO**

**Notes To The Financial Statements  
For The Year Ended December 31, 2004**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2004 is as follows:

<b>2004 Budgeted vs. Actual Receipts</b>				
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>	
General	\$ 81,950	\$ 92,557	\$	10,607
Special Revenue	373,710	406,221		32,511
<b>Total</b>	<b>\$ 455,660</b>	<b>\$ 498,778</b>	<b>\$</b>	<b>43,118</b>

<b>2004 Budgeted vs. Actual Budgetary Basis Expenditures</b>				
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>	
General	\$ 103,409	\$ 73,562	\$	29,847
Special Revenue	482,553	268,086		214,467
<b>Total</b>	<b>\$ 585,962</b>	<b>\$ 340,928</b>	<b>\$</b>	<b>244,314</b>

**4. PROPERTY TAX**

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Township 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 on the property owners, who must file a list of such property to the County by each April 30.

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

**HARRISVILLE TOWNSHIP  
MEDINA COUNTY, OHIO**

**Notes To The Financial Statements  
For The Year Ended December 31, 2004**

**5. RETIREMENT SYSTEMS**

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost sharing, multiple-employer plans. This plan provide retirement benefits, including postretirement 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 2004, OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participants' gross salaries in the year. The Township has paid all contributions required through December 31, 2004.

**6. RISK MANAGEMENT**

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

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

**7. CONTINGENT LIABILITIES**

The Township may be a defendant in various lawsuits. Although, the outcome of the lawsuits is not presently determinable, in the opinion of legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Trustees of Harrisville Township  
Harrisville Township  
Lodi, Ohio

We have audited the financial statements of the Harrisville Township as and for the year ended December 31, 2004, and have issued our report thereon dated June 24, 2005. 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 Controls 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 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 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 24, 2005.

**Compliance and Other Matters**

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 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 certain immaterial instances of noncompliance that we have reported to management in a separate letter dated June 24, 2005.

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

*Charles E. Harris & Associates, Inc.*  
June 24, 2005

STATUS OF PRIOR YEAR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit, for the year ending December 31, 2003 included no material citations or recommendations.



**Auditor of State  
Betty Montgomery**

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**HARRISVILLE TOWNSHIP**

**MEDINA 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  
SEPTEMBER 6, 2005**