

HOLMES TOWNSHIP
CRAWFORD COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Holmes Township
4882 State Route 19
Bucyrus, Ohio 44820

We have reviewed the *Independent Auditors' Report* of Holmes Township, Crawford County, prepared by Holbrook & Manter, for the audit period January 1, 2005 through December 31, 2005. 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.

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. Holmes Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 7, 2007

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Holmes Township
Crawford County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Holmes Township, Crawford County, Ohio, (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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.

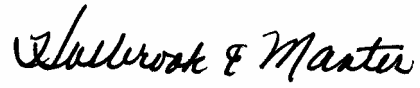
As discussed in Note 1, the Township has prepared these financial statements using the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Holmes Township, Crawford County, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, and Road and Bridge funds thereof for the year then ended on the basis of accounting described in Note 2.

As discussed in Note 3, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

The Management's Discussion and Analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2007 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

April 12, 2007

**HOLMES TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

This discussion and analysis of Holmes Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$80,979 or 58 percent, a significant change from the prior year. This increase, however, came from increased funding in the restricted funds (Gasoline Tax and Road and Bridge Funds), not in the General Fund. The latter actually only increased by \$871 or 4 percent.

Major projects for the year included patching of Township roads costing \$6,763, new roof and windows for the Township hall costing \$9,315 and the purchase of a rotary mower for \$9,499.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**HOLMES TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Basis of Accounting (continued)

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Government's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are only governmental. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Government's major governmental funds are the General Fund, Gasoline Tax, and Road and Bridge Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**HOLMES TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	<u>2005</u>	<u>2004</u>
Assets		
Cash and Cash Equivalents	\$ <u>218,530</u>	\$ <u>137,551</u>
Total Assets	\$ <u><u>218,530</u></u>	\$ <u><u>137,551</u></u>
Net Assets		
Other Purposes	\$ 197,736	\$ 117,627
Unrestricted	<u>20,794</u>	<u>19,924</u>
Total Net Assets	\$ <u><u>218,530</u></u>	\$ <u><u>137,551</u></u>

As mentioned previously, net assets of governmental activities increased \$80,979 or 58 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- The Township received increases in funding to restricted funds (gasoline taxes and road and bridge funds).
- In the prior year, the Township spent \$64,271 for major road improvements compared to \$6,763 in 2005.
- The Township anticipates purchases in 2006 of public safety equipment and substantially increase the amount spent on road improvements.

**HOLMES TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Table 2 reflects the changes in net assets in 2005. Since the Government did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)
Changes in Net Assets**

	Governmental Activities
Receipts:	
Program Receipts:	
Charges for services	\$ 1,050
Operating Grants and Contributions	93,395
Total Program Receipts	94,445
General Receipts:	
Property and Other Local Taxes	86,591
Grants and Entitlements Not Restricted to Specific Programs	30,061
Miscellaneous	6,427
Total General Receipts	123,079
Total Receipts	217,524
Disbursements:	
General Government	51,330
Public Safety	6,073
Public Works	67,342
Public Health	1,801
Capital outlay	9,999
Total Disbursements	136,545
Excess Before Transfers	80,979
Net Assets, January 1, 2005	137,551
Net Assets, December 31, 2005	\$ 218,530

**HOLMES TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

Program receipts represent only 43 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license fees and gasoline taxes.

General receipts represent 57 percent of the Township's total receipts, and of this amount, over 70 percent are from local taxes. State and federal grants and entitlements make up the majority of the balance of the Township's general receipts (24 percent). Other receipts, such as interest income, are somewhat unpredictable revenue sources.

Disbursements for general government represent the overhead cost of running the Township and the support services provided for the other Township activities. In 2005, these costs totaled \$51,330, approximately 38 percent of total disbursements. These included salaries and related costs (retirement and Medicare, ect.) of the trustees, clerk, and hourly employees. Without estates taxes, the General Fund may no longer be able to fully support the general government costs.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Township. The next columns identify the costs of providing these services. The major program disbursements for governmental activities are for public works and general government, which account for 49 and 38 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Government that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	<u>Total Cost Of Services</u>	<u>Net Cost of Services</u>	
General Government	\$ 51,330	\$ (50,344)	
Public Safety	6,073	(6,073)	
Public Works	67,342	23,547	
Public Health	1,801	(1,801)	
Other	0	2,570	
Capital Outlay	<u>9,999</u>	<u>(9,999)</u>	
Total Expenses	<u>\$ 136,545</u>	<u>\$ (42,100)</u>	

**HOLMES TOWNSHIP
CRAWFORD COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(UNAUDITED)**

The Government's Funds

Total governmental funds had receipts of \$217,524 and disbursements of \$136,545. The greatest change within governmental funds occurred within the Gasoline Tax and Road and Bridge Funds, which increased by \$37,196 and \$26,211, respectively. The fund balance increased by \$80,979 due to the increased tax receipts related to these funds.

General Fund disbursements were \$871 less than receipts indicating that the General Fund is near a deficit spending situation. This situation will be partially corrected by limiting expenditures for equipment and machinery however increased staffing costs may still result in a deficit spending situation in the future.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

Final disbursements were budgeted at \$44,923 while actual disbursements were \$33,251. Careful control over spending ensured that the General Fund disbursements did not exceed the amount budgeted.

Current Issues

The challenge for the Township is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Township relies heavily on local taxes and has very limited industry to support the local tax base. The Township will continue to follow a plan of prudent spending to avoid an increase in local taxes.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Sharon Hahn, Clerk-Treasurer, Holmes Township, 4882 State Route 19 Bucyrus, OH, 44820.

HOLMES TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
AS OF DECEMBER 31, 2005

	Governmental Activities
ASSETS:-	
Equity in pooled cash and cash equivalents	\$ <u>218,530</u>
Total assets	\$ <u><u>218,530</u></u>
 NET ASSETS:-	
Restricted:	
Other purposes	\$ 197,736
Unrestricted	<u>20,794</u>
Total net assets	\$ <u><u>218,530</u></u>

See accompanying notes to the basic financial statements

HOLMES TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
GOVERNMENTAL ACTIVITIES:-					
General government	\$ 51,330	\$ 0	\$ 986	\$ (50,344)	\$ (50,344)
Public safety	6,073	0	0	(6,073)	(6,073)
Public works	67,342	0	90,889	23,547	23,547
Health	1,801	0	0	(1,801)	(1,801)
Other	0	1,050	1,520	2,570	2,570
Capital outlay	9,999	0	0	(9,999)	(9,999)
Total governmental activities	\$ 136,545	\$ 1,050	\$ 93,395	\$ (42,100)	\$ (42,100)
GENERAL RECEIPTS:-					
Property taxes				\$ 86,591	\$ 86,591
Grants and entitlements not restricted to specific programs				30,061	30,061
Miscellaneous				6,427	6,427
Total general receipts				123,079	123,079
Change in net assets				80,979	80,979
Net assets beginning of year				137,551	137,551
Net assets at end of year				\$ 218,530	\$ 218,530

See accompanying notes to the basic financial statements

HOLMES TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF ASSETS AND FUND BALANCES CASH BASIS
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2005

ASSETS

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Equity in pooled cash and cash equivalents	\$ 20,794	\$ 69,555	\$ 65,215	62,966	\$ 218,530
Total assets	\$ 20,794	\$ 69,555	\$ 65,215	62,966	\$ 218,530

FUND BALANCES

UNRESERVED:-

Undesignated, reported in:-

General fund	\$ 20,794	\$ 0	\$ 0	\$ 0	\$ 20,794
Special revenue funds	0	69,555	65,215	58,625	193,395
Capital projects fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,341</u>	<u>4,341</u>
Total fund balances	\$ 20,794	\$ 69,555	\$ 65,215	\$ 62,966	\$ 218,530

See accompanying notes to the basic financial statements

**HOLMES TOWNSHIP
CRAWFORD COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES
- CASH BASIS GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road & Bridge</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:-					
Property and other local taxes	\$ 5,235	\$ 0	\$ 43,040	\$ 31,073	\$ 79,348
Intergovernmental	26,706	77,252	4,306	26,641	134,905
Earnings on investments	822	362	0	335	1,519
Miscellaneous	1,359	0	393	0	1,752
Total receipts	34,122	77,614	47,739	58,049	217,524
DISBURSEMENTS:-					
Current:-					
General government	30,181	0	0	21,149	51,330
Public safety	0	0	0	6,073	6,073
Public works	769	30,919	21,528	14,126	67,342
Health	1,801	0	0	0	1,801
Capital outlay	500	9,499	0	0	9,999
Total disbursements	33,251	40,418	21,528	41,348	136,545
Excess of receipts over disbursements	871	37,196	26,211	16,701	80,979
Fund balances beginning of year	19,923	32,359	39,004	46,265	137,551
Fund balances end of year	\$ 20,794	\$ 69,555	\$ 65,215	\$ 62,966	\$ 218,530

See accompanying notes to the basic financial statements

HOLMES TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 8,001	\$ 8,001	\$ 5,235	\$ (2,766)
Intergovernmental	16,317	16,317	26,706	10,389
Earning on investments	482	482	822	340
Miscellaneous	201	201	1,359	1,158
Total receipts	25,001	25,001	34,122	9,121
DISBURSEMENTS:-				
Current:-				
General government	36,933	36,933	30,181	6,752
Public works	1,990	1,990	769	1,221
Health	5,500	5,500	1,801	3,699
Capital outlay	500	500	500	0
Total disbursements	44,923	44,923	33,251	11,672
Excess of receipts over (under) disbursements	(19,922)	(19,922)	871	20,793
OTHER FINANCING SOURCES (USES):-				
Transfers In	1	1	0	1
Total Other Financing Sources (Uses)	1	1	0	1
Net change in fund balance	(19,921)	(19,921)	871	20,792
Fund balance beginning of year	19,923	19,923	19,923	0
Prior year encumbrances appropriated	0	0	0	0
Fund balance end of year	\$ 2	\$ 2	\$ 20,794	\$ 20,792

See accompanying notes to the basic financial statements

HOLMES TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Intergovernmental	\$ 49,500	\$ 49,500	\$ 77,252	\$ 27,752
Earning on investments	475	475	362	(113)
Miscellaneous	25	25	0	(25)
Total receipts	<u>50,000</u>	<u>50,000</u>	<u>77,614</u>	<u>27,614</u>
DISBURSEMENTS:-				
Current;-				
Public works	69,209	72,359	30,919	41,440
Capital outlay	10,000	10,000	9,499	501
Total disbursements	<u>79,209</u>	<u>82,359</u>	<u>40,418</u>	<u>41,941</u>
Excess of receipts over (under) disbursements	(29,209)	(32,359)	37,196	69,555
Fund balance beginning of year	29,209	29,209	29,209	0
Prior year encumbrances appropriated	3,150	3,150	3,150	0
Fund balance end of year	<u>\$ 3,150</u>	<u>\$ 0</u>	<u>\$ 69,555</u>	<u>\$ 69,555</u>

See accompanying notes to the basic financial statements

HOLMES TOWNSHIP
CRAWFORD COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD & BRIDGE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS:-				
Property and other local taxes	\$ 42,000	\$ 42,000	\$ 43,040	\$ 1,040
Intergovernmental	3,500	3,500	4,306	806
Miscellaneous	698	698	393	(305)
Total receipts	<u>46,198</u>	<u>46,198</u>	<u>47,739</u>	<u>1,541</u>
DISBURSEMENTS:-				
Current;-				
Public works	75,202	75,202	21,528	53,674
Capital outlay	10,000	10,000	0	10,000
Total disbursements	<u>85,202</u>	<u>85,202</u>	<u>21,528</u>	<u>63,674</u>
Excess of receipts over (under) disbursements	(39,004)	(39,004)	26,211	65,215
Fund balance beginning of year	39,004	39,004	39,004	0
Prior year encumbrances appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund balance end of year	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 65,215</u></u>	<u><u>\$ 65,215</u></u>

See accompanying notes to the basic financial statements

HOLMES TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - REPORTING ENTITY:-

Holmes Township, Crawford County, Ohio (the Township), 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 of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

Primary Government - The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, and fire protection. The Township is also a member of the Central Joint Ambulance District, which contracts with Medcorp, Inc. to provide emergency medical services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

These financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

Basis of Presentation - The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Township's general receipts.

**HOLMES TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Fund Financial Statements - During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Fund Accounting - The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township's funds are classified as governmental.

Governmental Funds - The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The Township's major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

The other type of funds used by the Township are Special Revenue Funds, which consist of:

Gasoline Tax Fund – This fund receives gasoline tax money to construct, maintain and repair Township roads.

Road and Bridge Fund – This fund receives property tax money to construct, maintain and repair Township roads and bridges.

Basis of Accounting - The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

Budgetary Process - All funds are legally required to be budgeted and appropriated. The Tax Commission of Crawford County have chosen to not require a formal budget due in the summer months. Instead, they provide us with an estimate of revenue based on calculations of property and levies in place in the Township. The Township takes the estimates from the County Auditor and a report of revenue from the previous year and uses these numbers to make an estimation of revenue for the coming year. This had proven to be an accurate method of estimating revenue for the next year. This report is given to the county tax commission when requested. The county auditor and tax commission review these numbers and responds if there is inaccuracy in the reporting.

The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**HOLMES TOWNSHIP
CRAWFORD COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

Cash and Investments - To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts, respectively.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$822.

Restricted Assets - Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Inventory and Prepaid Items - The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Capital Assets - Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

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

**HOLMES TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

Employer Contributions to Cost-Sharing Pension Plans - The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long Term Obligations - The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Net Assets - Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for Gasoline Tax Fund, and Road and Bridge Fund.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reserves - The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances when necessary.

NOTE 3 - CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY:-

Last year, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year, the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE:-

The Township reports no deficit fund balances.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING:-

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, and Road and Bridge Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an inter-fund receivable or payable (cash basis)). There were no outstanding encumbrances or advances at the end of the year.

**HOLMES TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS:-

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**HOLMES TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS:- (continued)

At year end, the carrying amount of the Townships deposits was \$218,530. The Townships deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institutions public entity deposit pool.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 7 - PROPERTY TAXES:-

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$1.5 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property:-	
Residential	\$ 12,666,780
Agriculture	6,042,930
Commercial/ Industrial/ Mineral	653,390
Public Utility Property:-	
Real	67,859
Personal	4,522
Tangible personal property	<u>21,850</u>
Total assessed value	\$ <u><u>19,457,331</u></u>

**HOLMES TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 8 - RISK MANAGEMENT:-

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non profit association with over six hundred governmental entity members providing a formalized, jointly administered self insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine, and other coverage's, modified for each member's needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverage's and reinsures these coverage's 100%, rather than using a risk pool member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary form member to member.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:-

Ohio Public Employees Retirement System - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Contributions to the member-directed plan for 2005 were \$4,314 made by the Township and \$2,706 made by the plan members.

**HOLMES TOWNSHIP
CRAWFORD COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 10 - POST EMPLOYMENT BENEFITS:-

Ohio Public Employees Retirement System - The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll, 4.0 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund post employment benefits were \$8,036. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.



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*

Board of Trustees
Holmes Township
Crawford County

We have audited the accompanying financial statements of Holmes Township, Crawford County, Ohio (the Township), as of and for the year ended December 31, 2005, and have issued our report thereon dated April 12, 2007, wherein we noted the Township had followed cash basis of accounting 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 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 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 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 we have reported to the management of the Township in a separate letter dated April 12, 2007.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated April 12, 2007.

This report is intended solely for the information and use of the management and Township Council. It 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 'Holbrook & Manter' in a cursive script.

Certified Public Accountants

April 12, 2007

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OHIO SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS



Mary Taylor, CPA
Auditor of State

HOLMES TOWNSHIP

CRAWFORD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 19, 2007**