



Auditor of State
Betty Montgomery

HARDY TOWNSHIP
HOLMES COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hardy Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hardy Township
Holmes County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 18, 2003

**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, 2002**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$44,336	\$71,947	\$116,283
Intergovernmental	70,273	72,739	143,012
Earnings on Investments	13,478	380	13,858
Miscellaneous	5,867	384	6,251
	<u>133,954</u>	<u>145,450</u>	<u>279,404</u>
Cash Disbursements:			
Current:			
General Government	75,436		75,436
Public Works	150,284	67,667	217,951
Health	16,136		16,136
Capital Outlay	91,308		91,308
Debt Service:			
Redemption of Principal	8,647		8,647
Interest and Other Fiscal Charges	456		456
	<u>342,267</u>	<u>67,667</u>	<u>409,934</u>
Total Receipts Over/(Under) Disbursements	(208,313)	77,783	(130,530)
Fund Cash Balance, January 1	<u>969,787</u>	<u>168,216</u>	<u>1,138,003</u>
Fund Cash Balance, December 31	<u>\$761,474</u>	<u>\$245,999</u>	<u>\$1,007,473</u>
Reserves for Encumbrances, December 31	<u>\$1,491</u>	<u>\$0</u>	<u>\$1,491</u>

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

**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, 2001**

	Governmental Fund Types		Total
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$42,326	\$68,506	\$110,832
Intergovernmental	680,019	69,277	749,296
Earnings on Investments	20,919	1,146	22,065
Miscellaneous		511	511
Total Cash Receipts	743,264	139,440	882,704
Cash Disbursements:			
Current:			
General Government	85,815		85,815
Public Works	143,919	67,507	211,426
Health	16,136		16,136
Capital Outlay	40,470	1,211	41,681
Debt Service:			
Redemption of Principal	97,529		97,529
Interest and Other Fiscal Charges	6,106		6,106
Total Cash Disbursements	389,975	68,718	458,693
Total Receipts Over Disbursements	353,289	70,722	424,011
Other Financing Receipts/(Disbursements):			
Other Financing Sources	4,454		4,454
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements And Other Financing Disbursements	357,743	70,722	428,465
Fund Cash Balance, January 1	612,044	97,494	709,538
Fund Cash Balance, December 31	\$969,787	\$168,216	\$1,138,003
Reserves for Encumbrances, December 31	\$826	\$1,246	\$2,072

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

**HARDY TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hardy Township, Holmes County, (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, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by the Holmes County Sheriff's Department under an 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 disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Investments

The Township maintains monies in an overnight repurchase agreement. Investments are included in the fund cash balances. 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.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township has the following Special Revenue Funds:

Road and Bridge Fund - This is used to account for property tax money for constructing, maintaining and repairing Township roads and bridges.

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

**HARDY TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund to be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. 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**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Deposits:		
Demand Deposits	\$496,608	(\$3,601)
Certificates of Deposit	510,865	10,865
Total Deposits	1,007,473	7,264
Investments:		
Repurchase Agreements	0	1,130,739
Total Deposits and Investments	\$1,007,473	\$1,138,003

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

Investment: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,719	\$133,954	\$39,235
Special Revenue	140,350	145,450	5,100
Total	\$235,069	\$279,404	\$44,335

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$642,668	\$343,758	\$298,910
Special Revenue	212,800	67,667	145,133
Total	\$855,468	\$411,425	\$444,043

**HARDY TOWNSHIP
HOLMES COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,000	\$747,718	\$665,718
Special Revenue	139,050	139,440	390
Total	\$221,050	\$887,158	\$666,108

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$606,176	\$390,801	\$215,375
Special Revenue	155,375	69,964	85,411
Total	\$761,551	\$460,765	\$300,786

Contrary to Ohio Rev. Code Section 5705.41(D), the Township did not always obtain certification from the Clerk prior to incurring the obligation.

4. PROPERTY TAX

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

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

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

5. DEBT

The backhoe and building construction notes were paid in full during 2002.

6. RETIREMENT SYSTEMS

Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OPERS members 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, 2002.

**HARDY TOWNSHIP
HOLMES COUNTY**

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

7. RISK POOL MEMBERSHIP

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 \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 government.

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>9,197,512</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

8. INTERGOVERNMENTAL

The Township received a \$647,829 inheritance tax distribution from the County Auditor in 2001.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Hardy Township, Holmes County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated August 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 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.

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However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Township in a separate letter dated August 18, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 18, 2003

**HARDY TOWNSHIP
HOLMES COUNTY**

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

FINDING 2002-001

Noncompliance Citation

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

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

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

During 2002 and 2001, 48% and 32% of the expenditures tested, respectively, were not certified by the Clerk prior to incurring the commitment. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. As a result, the Township could inadvertently overspend certain appropriations. Prior to entering into commitments, the Clerk should certify that funds are available for expenditure. The Clerk should also inform all Township employees of the requirements of Ohio Rev. Code Section 5705.41(D).

**HARDY TOWNSHIP
HOLMES COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40938-001	Ohio Rev. Code 117.28 - The Clerk and three trustees were overpaid during 2000.	Yes	The findings were repaid during the previous audit.
2000-40938-002	Ohio Rev. Code 5705.41(D) - For 92% transactions tested, the Township did not obtain certification from the Clerk prior to incurring the obligation.	No	Not corrected. Reported as Finding Number 2002-001.
2000-40938-003	Ohio Rev. Code Section 5705.41(D) - the General Fund had expenditures in excess of appropriations.	Yes	
2000-40938-004	Ohio Rev. Code 135.14 - The Township had invested in overnight repurchase agreements without the required written investment policy.	Yes	
2000-40938-005	Ohio Rev. Code 135.22 - The Clerk did not attend any continuing education training which is required to invest in repurchase agreements.	Yes	



**Auditor of State
Betty Montgomery**

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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
OCTOBER 9, 2003**