



**HARDY TOWNSHIP
HOLMES COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HARDY TOWNSHIP
HOLMES COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Hardy Township
Holmes County
9430 Township Road 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, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

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

Jim Petro
Auditor of State

February 7, 2001

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**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, 2000**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$42,295	\$67,186	\$109,481
Intergovernmental	661,281	69,360	730,641
Earnings on Investments	11,799	664	12,463
Miscellaneous		300	300
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	715,375	137,510	852,885
Cash Disbursements:			
Current:			
General Government	59,793		59,793
Public Works	26,121	99,633	125,754
Health	16,136		16,136
Debt Service:			
Redemption of Principal	12,760	7,776	20,536
Interest and Fiscal Charges	5,933	1,358	7,291
Capital Outlay	93,255	1,242	94,497
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	213,998	110,009	324,007
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	501,377	27,501	528,878
Other Financing Receipts:			
Other Sources	1,066		1,066
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	502,443	27,501	529,944
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	109,601	69,993	179,594
Fund Cash Balances, December 31	<u>\$612,044</u>	<u>\$97,494</u>	<u>\$709,538</u>
Reserves for Encumbrances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$0	\$0	\$0

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, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$44,832	\$66,316	\$111,148
Intergovernmental	42,546	69,123	111,669
Earnings on Investments	4,407	294	4,701
Miscellaneous	190	638	828
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	91,975	136,371	228,346
Cash Disbursements:			
Current:			
General Government	58,920		58,920
Public Works	4,551	110,511	115,062
Health	16,239		16,239
Debt Service:			
Redemption of Principal	12,760	7,379	20,139
Interest and Fiscal Charges	6,527	1,755	8,282
Capital Outlay	116,063		116,063
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	215,060	119,645	334,705
Total Cash Receipts (Under)/Over Cash Disbursements	<hr/> (123,085)	<hr/> 16,726	<hr/> (106,359)
Other Financing Receipts:			
Other Sources	<hr/> 20		<hr/> 20
Excess of Cash Receipts and Other Financing Receipts (Under)/Over Cash Disbursements	<hr/> (123,065)	<hr/> 16,726	<hr/> (106,339)
Fund Cash Balances, January 1	<hr/> 232,666	<hr/> 53,267	<hr/> 285,933
Fund Cash Balances, December 31	<hr/> \$109,601 <hr/>	<hr/> \$69,993 <hr/>	<hr/> \$179,594 <hr/>
Reserves for Encumbrances, December 31	<hr/> \$0	<hr/> \$0	<hr/> \$0

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

**HARDY TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Hardy Township, Holmes County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, which includes road maintenance and cemetery maintenance. Fire protection is provided by the Holmes County Fire District. The Holmes County Sheriff's department provides security of persons and property to the Township.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Certificates of deposit and the repurchase agreement are valued at cost.

Investments are included in the cash fund 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.

**HARDY TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

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

F. Property, Plant and Equipment

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

**HARDY TOWNSHIP
HOLMES COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Sick Leave

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

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 cash and investments at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Deposits:		
Demand deposits	(\$4,111)	\$168,728
Certificates of deposit	10,866	10,866
Total deposits	\$6,755	\$179,594
Investments:		
Repurchase agreements	\$702,783	\$0
Total deposits and investments	\$709,538	\$179,594

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: Investments in repurchase agreements are not evidenced by securities that exist in physical or book-entry form.

- Contrary to Ohio Rev. Code Section 135.14, the Township invested in overnight repurchase agreements without having a written investment policy.
- Contrary to Ohio Rev. Code Section 135.22, the Township invested in overnight repurchase agreements without the Clerk attending required annual continuing education provided by the Treasurer of State.

**HARDY TOWNSHIP
HOLMES COUNTY**

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

3. BUDGETARY ACTIVITY

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

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 661,043	\$ 716,441	\$ 55,398
Special Revenue	<u>131,351</u>	<u>137,510</u>	<u>6,159</u>
Total	<u>\$ 792,394</u>	<u>\$ 853,951</u>	<u>\$ 61,557</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 663,015	\$ 213,998	\$ 449,017
Special Revenue	<u>142,025</u>	<u>110,009</u>	<u>32,016</u>
Total	<u>\$ 805,040</u>	<u>\$ 324,007</u>	<u>\$ 481,033</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 66,136	\$ 91,995	\$ 25,859
Special Revenue	<u>123,050</u>	<u>136,371</u>	<u>13,321</u>
Total	<u>\$ 189,186</u>	<u>\$ 228,366</u>	<u>\$ 39,180</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 298,802	\$ 215,060	\$ 83,742
Special Revenue	<u>166,050</u>	<u>119,645</u>	<u>46,405</u>
Total	<u>\$ 464,852</u>	<u>\$ 334,705</u>	<u>\$ 130,147</u>

- Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not certify the availability of funds for certain expenditures during 2000 and 1999.
- Contrary to Ohio Rev. Code Section 5705.41(B), the Township had certain expenditures in excess of appropriations during the year in 2000.

**HARDY TOWNSHIP
HOLMES COUNTY**

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

4. PROPERTY TAX

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

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

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
General Obligation Notes (Building)	\$89,320	6%
General Obligation Notes (Backhoe)	16,863	5.5%
Total	\$106,183	

The general obligation notes were issued to finance a new Township building and to finance a new backhoe. The notes will be repaid in November 2007 and May 2002, respectively.

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

Year ending December 31:	General Obligation Note (Building)	General Obligation Note (Backhoe)
2001	\$17,928	\$9,134
2002	17,162	9,130
2003	16,397	0
2004	15,631	0
2005	14,865	0
Subsequent	27,344	0
Total	\$109,327	\$18,264

**HARDY TOWNSHIP
HOLMES COUNTY**

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

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS 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, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Inland Marine



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111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Hardy Township
Holmes County
9430 Township Road 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, 2000 and 1999, and have issued our report thereon dated February 7, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-40938-001 through 2000-40938-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated February 7, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components 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 a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated February 7, 2001.

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

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

Jim Petro
Auditor of State

February 7, 2001

**HARDY TOWNSHIP
HOLMES COUNTY**

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

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2000-40938-001

Finding for Recovery Repaid Under Audit

Betty Mathie, Clerk, and each of the three Township Trustees (David Crilow, David Gerber, and Richard Dye) were overpaid \$358.57 and \$247.52, respectively, during 2000. This was due to an increase in the Township's estimated receipts, which allowed for an increase in the Clerk and Trustee's salaries. However, the Clerk increased the salaries in September 2000, but the County Auditor's certificate was not dated until November 1, 2000. 1999 Op. Att'y Gen. No. 99-015 states in pertinent part that:

"For the purposes of calculating the authorized compensation of the township trustees and the township clerk pursuant to R.C. 505.24 and R.C. 507.09, the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate."

Therefore, when determining what the township's budget is, the amount of the official certificate of estimated resources or any amended certificates should be used. The date of the certificate, as dated by the County Auditor, is the date that should be used in determining when any increases due to increased budgets are effective. The Clerk increased the pay two months before receiving the certificate of estimated resources from the County Auditor.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Betty Mathie, Clerk, and the Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of three hundred fifty eight dollars and fifty-seven cents (\$358.57), and in the favor of Hardy Township.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against David Crilow, Trustee, David Gerber, Trustee, and Richard Dye, Trustee, and The Personal Service Insurance Company, their bonding company, jointly and severally, in the amount of two hundred forty-seven dollars and fifty-two cents (\$247.52) for each Township Trustee, and in the favor of Hardy Township.

These findings were repaid during the audit.

FINDING NUMBER 2000-40938-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2000-40938-002 (Continued)

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

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

During the audit period, 16 out of the 60 expenditures tested were not certified by the Clerk prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance.

The Township should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such blanket certifications should only be used for recurring and reasonably predictable matters.

FINDING NUMBER 2000-40938-003

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At September 30, 2000, the following fund had expenditures in excess of appropriations:

Fund Type	Appropriations	Expenditures	Variance
General Fund	\$163,015	\$213,891	\$50,876

In addition, appropriations posted to the Township's Appropriation Reports did not always agree to the Township's actual Annual Appropriation Measure plus supplemental appropriations. The Clerk should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending. In addition, the Clerk should periodically review the Township's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

FINDING NUMBER 2000-40938-004

Noncompliance Citation

Ohio Rev. Code Section 135.14 requires a subdivision to have a written investment policy approved by the Clerk and governing body. This policy is required to be filed with the Auditor of State prior to making any investments unless the total amount invested is less than \$100,000, or the monies are invested in only certificates of deposit or STAR Ohio.

At December 31, 2000, the Township had \$702,783 invested in overnight repurchase agreements without a written investment policy approved by the Clerk and Board of Trustees as required by this Section. The Township Board should adopt an investment policy. This policy should be filed with the Auditor of State. In addition, those financial institutions that conduct investment business with the Clerk or Board of Trustees should sign and date the investment policy.

FINDING NUMBER 2000-40938-005

Noncompliance Citation

Ohio Rev Code Section 135.22 requires the Clerk to complete annual continuing education provided by the Treasurer of State. Without such training, the Treasurer is limited to investments in interim deposits and STAR Ohio.

During 2000, the Clerk did not attend and/or complete any annual continuing education programs provided by the Treasurer of State; however, she still invested funds in repurchase agreements (\$702,783 at December 31, 2000). The Clerk should either attend continuing education programs or limit the Township's investments to those permitted by law without training. Township Trustees should monitor the Clerk to ensure the Clerk completes the annual continuing education programs as required by this Section.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
MARCH 20, 2001**