



**Mary Taylor, CPA**  
Auditor of State



**HARDING TOWNSHIP  
LUCAS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Harding Township  
Lucas County  
13441 Angola Road  
Swanton, Ohio 43558-9157

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harding Township, Lucas County, Ohio (the Township), as of and for the year ended December 31, 2008, 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 opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). Government Auditing Standards considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, Government Auditing Standards permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. 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 Harding Township, Lucas County, Ohio, as of December 31, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Special Fire Levy, and Cemetery Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

September 16, 2010

HARDING TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Unaudited

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This discussion and analysis of Harding Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's cash basis 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 2008 are as follows:

Net assets of governmental activities decreased \$112,181, or 22 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents was the General Fund, which had transferred \$52,500 to the Cemetery Fund, and the Gasoline Tax Fund, which had expenditures in excess of revenues for road improvements totaling \$65,948.

The Township's general receipts are primarily property taxes and state intergovernmental revenues. These receipts represent respectively \$208,516 and 92 percent of the total cash received for governmental activities during the year.

### **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 a 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.

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.

HARDING TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Unaudited  
(Continued)

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**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities 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 Township'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.

In the statement of net assets and the statement of activities, we report governmental activities which include basic services such as fire protection and road maintenance. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township'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 governmental funds.

Governmental Funds - The Township's activities are reported in governmental funds. 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 Township's major governmental funds are the General Fund, Gasoline Tax, Special Fire Levy, and Cemetery Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

HARDING TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Unaudited  
(Continued)

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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2008 compared to 2007 on a cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2008	2007
<b>Assets</b>		
Cash and Cash Equivalents	\$401,320	\$513,501
 <b>Net Assets</b>		
Restricted for:		
Other Purposes	341,750	397,205
Unrestricted	59,570	116,296
Total Net Assets	\$401,320	\$513,501

As mentioned previously, net assets of governmental activities decreased \$112,181 or 22 percent during 2008. The primary reasons contributing to the decreases in cash balances were the General Fund transfer to the Cemetery Fund and the Gasoline Tax Fund expenditures for road maintenance and repairs exceeding receipts.

HARDING TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Unaudited  
(Continued)

Table 2 reflects the changes in net assets on a cash basis in 2008 and 2007 for governmental activities.

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

	Governmental Activities	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$5,205	\$1,190
Operating Grants and Contributions	104,247	105,354
Total Program Receipts	109,452	106,544
General Receipts:		
Property Taxes Levied For:		
General Purposes	57,790	59,270
Special Levy - Fire	21,897	22,059
Grants and Entitlements Not Restricted to Specific Programs	29,907	24,838
Interest	4,069	8,096
Miscellaneous	2,317	6,503
Total General Receipts	115,980	120,766
Total Receipts	225,432	227,310
Disbursements:		
General Government	98,544	75,589
Public Safety	17,183	20,314
Public Works	161,203	22,197
Health	60,683	7,745
Total Disbursements	337,613	125,845
Change in Net Assets	(112,181)	101,465
Net Assets, January 1	513,501	412,036
Net Assets, December 31	\$401,320	\$513,501

Program receipts represent 49 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, and gas tax money.

General receipts represent 51 percent of the Township's total receipts, and of this amount, over 69 percent are local taxes. State and federal grants and entitlements, interest earnings, and other miscellaneous receipts make up the balance of the Township's general receipts (31 percent).

HARDING TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Unaudited  
(Continued)

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the board of trustees, and the fiscal officer.

Public Safety are the costs of fire protection, Public Works are the costs of maintaining and repairing Township roads, and Health are the costs of operating and maintaining the cemetery.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, and public works, which account for 29 and 48 percent of all governmental disbursements, respectively. Health represents about 18 percent and Public Safety represents about 5 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township 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.

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
General Government	\$98,544	\$95,544	\$75,589	\$75,589
Public Safety	17,183	13,888	20,314	17,551
Public Works	161,203	60,251	22,197	(80,394)
Health	60,683	58,933	7,745	6,845
Conservation-Recreation	-	(455)	-	(290)
<b>Total Expenses</b>	<b>\$337,613</b>	<b>\$228,161</b>	<b>\$125,845</b>	<b>\$19,301</b>

The dependence upon property taxes and state intergovernmental receipts is apparent as over 67 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$225,432 and disbursements of \$337,613. The greatest changes within governmental funds occurred within the General Fund and the Gasoline Tax Fund. The fund balance of the General Fund decreased \$56,726 as the result of transfers to the Cemetery Fund for \$52,500 and the Gasoline Tax Fund decreased \$65,948 as the result of increased road repair and maintenance expenditures exceeding gasoline tax revenues.

HARDING TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Unaudited  
(Continued)

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**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. The most significant budgeted fund is the General Fund.

During 2008, the Township's actual receipts were greater than budgeted receipts due to Local Government Funds, Rollback and Homestead Revenues received from the state, fines and forfeitures, and interest revenues being greater than anticipated. There was a \$1,000 difference between final budgeted receipts and original budgeted receipts.

Final disbursements were budgeted at \$210,069 while actual disbursements and other financing uses were \$154,222 of which \$52,500 was transferred to the Cemetery Fund. The result is a decrease in the General Fund balance of \$56,726 in 2008.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

**Contacting the Township'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 Rebecca P. Henderly, Fiscal Officer, Harding Township, 13441 Angola Road, Swanton, OH 43558.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$401,320</u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	341,750
Unrestricted	<u>59,570</u>
<i>Total Net Assets</i>	<u>\$401,320</u>

See accompanying notes to the basic financial statements.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$98,544	\$3,000		(\$95,544)
Public Safety	17,183	-	\$3,295	(13,888)
Public Works	161,203	-	100,952	(60,251)
Health	60,683	1,750	-	(58,933)
Conservation-Recreation	-	455	-	455
<i>Total Governmental Activities</i>	<b>\$337,613</b>	<b>\$5,205</b>	<b>\$104,247</b>	<b>(228,161)</b>
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				57,790
Special Levy - Fire				21,897
Grants and Entitlements not				
Restricted to Specific Programs				29,907
Earnings on Investments				4,069
Miscellaneous				2,317
<i>Total General Receipts</i>				115,980
Change in Net Assets				(112,181)
<i>Net Assets Beginning of Year</i>				513,501
<i>Net Assets End of Year</i>				<b>\$401,320</b>

See accompanying notes to the basic financial statements.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Special Fire Levy</u>	<u>Cemetery</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	<u>\$59,570</u>	<u>\$279,153</u>	<u>\$21,916</u>	<u>\$702</u>	<u>\$39,979</u>	<u>\$401,320</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated, Reported in:						
General Fund	59,570					59,570
Special Revenue Funds	-	279,153	21,916	702	39,979	341,750
<i>Total Fund Balances</i>	<u>\$59,570</u>	<u>\$279,153</u>	<u>\$21,916</u>	<u>\$702</u>	<u>\$39,979</u>	<u>\$401,320</u>

See accompanying notes to the basic financial statements.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN  
CASH BASIS FUND BALANCES GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General	Gasoline Tax	Special Fire Levy	Cemetery	Other Governmental Funds	Total
<b>Receipts</b>						
Property and Other Local Taxes	\$57,790		\$21,897			\$79,687
Licenses, Permits and Fees	455		-	\$1,350		1,805
Fines and Forfeitures	3,000		-	-		3,000
Intergovernmental	29,907	\$90,588	3,295	-	\$5,039	128,829
Earnings on Investments	4,069	4,625	-	-	700	9,394
Miscellaneous	2,275	42	-	400	-	2,717
<i>Total Receipts</i>	<u>97,496</u>	<u>95,255</u>	<u>25,192</u>	<u>1,750</u>	<u>5,739</u>	<u>225,432</u>
<b>Disbursements</b>						
Current:						
General Government	98,544	-	-	-	-	98,544
Public Safety	209		16,974	-	-	17,183
Public Works	-	161,203	-	-	-	161,203
Health	2,969	-	-	57,714	-	60,683
<i>Total Disbursements</i>	<u>101,722</u>	<u>161,203</u>	<u>16,974</u>	<u>57,714</u>	<u>-</u>	<u>337,613</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,226)</u>	<u>(65,948)</u>	<u>8,218</u>	<u>(55,964)</u>	<u>5,739</u>	<u>(112,181)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	-	-	-	52,500	-	52,500
Transfers Out	(52,500)	-	-	-	-	(52,500)
<i>Total Other Financing Sources (Uses)</i>	<u>(52,500)</u>	<u>-</u>	<u>-</u>	<u>52,500</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(56,726)	(65,948)	8,218	(3,464)	5,739	(112,181)
<i>Fund Balances Beginning of Year</i>	<u>116,296</u>	<u>345,101</u>	<u>13,698</u>	<u>4,166</u>	<u>34,240</u>	<u>513,501</u>
<i>Fund Balances End of Year</i>	<u>\$59,570</u>	<u>\$279,153</u>	<u>\$21,916</u>	<u>\$702</u>	<u>\$39,979</u>	<u>\$401,320</u>

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$64,500	\$64,500	\$57,790	(\$6,710)
Licenses, Permits and Fees	500	500	455	(45)
Fines and Forfeitures	-	-	3,000	3,000
Intergovernmental	15,000	14,000	29,907	15,907
Earnings on Investments	-	-	4,069	4,069
Miscellaneous	-	-	2,275	2,275
<i>Total Receipts</i>	<u>80,000</u>	<u>79,000</u>	<u>97,496</u>	<u>18,496</u>
<b>Disbursements</b>				
Current:				
General Government	121,169	207,669	98,544	109,125
Public Safety	400	400	209	191
Public Works	500	500	-	500
Health	1,500	1,500	2,969	(1,469)
<i>Total Disbursements</i>	<u>123,569</u>	<u>210,069</u>	<u>101,722</u>	<u>108,347</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(43,569)</u>	<u>(131,069)</u>	<u>(4,226)</u>	<u>126,843</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers In	-	1,000	-	(1,000)
Transfers Out	-	-	(52,500)	(52,500)
<i>Total Other Financing Sources/(Uses)</i>	<u>-</u>	<u>1,000</u>	<u>(52,500)</u>	<u>(53,500)</u>
<i>Net Change in Fund Balance</i>	(43,569)	(130,069)	(56,726)	73,343
<i>Fund Balance Beginning of Year</i>	<u>116,296</u>	<u>116,296</u>	<u>116,296</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$72,727</u></u>	<u><u>(\$13,773)</u></u>	<u><u>\$59,570</u></u>	<u><u>\$73,343</u></u>

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$80,000	\$80,000	\$90,588	\$10,588
Earnings on Investments	-	-	4,625	4,625
Miscellaneous	-	-	42	42
<i>Total Receipts</i>	<u>80,000</u>	<u>80,000</u>	<u>95,255</u>	<u>15,255</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>115,000</u>	<u>115,000</u>	<u>161,203</u>	<u>(46,203)</u>
<i>Net Change in Fund Balance</i>	<u>(35,000)</u>	<u>(35,000)</u>	<u>(65,948)</u>	<u>(30,948)</u>
<i>Fund Balance Beginning of Year</i>	<u>345,101</u>	<u>345,101</u>	<u>345,101</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>\$310,101</u></u>	<u><u>\$310,101</u></u>	<u><u>\$279,153</u></u>	<u><u>(\$30,948)</u></u>

See accompanying notes to the basic financial statements.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS  
SPECIAL FIRE LEVY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$25,600	\$25,609	\$21,897	(\$3,712)
Intergovernmental	-	-	3,295	3,295
<i>Total Receipts</i>	<u>25,600</u>	<u>25,609</u>	<u>25,192</u>	<u>(417)</u>
<b>Disbursements</b>				
Current:				
Public Safety	16,974	16,974	16,974	-
<i>Net Change in Fund Balance</i>	8,626	8,635	8,218	(417)
<i>Fund Balance Beginning of Year</i>	<u>13,698</u>	<u>13,698</u>	<u>13,698</u>	-
<i>Fund Balance End of Year</i>	<u><u>\$22,324</u></u>	<u><u>\$22,333</u></u>	<u><u>\$21,916</u></u>	<u><u>(\$417)</u></u>

See accompanying notes to the basic financial statements.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL -BUDGET BASIS  
CEMETERY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Licenses, Permits and Fees	\$3,000	\$3,000	\$1,350	(\$1,650)
Miscellaneous	-	-	400	400
<i>Total Receipts</i>	<u>3,000</u>	<u>3,000</u>	<u>1,750</u>	<u>(1,250)</u>
<b>Disbursements</b>				
Current:				
Health	<u>11,000</u>	<u>76,000</u>	<u>57,714</u>	<u>(18,286)</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(8,000)</u>	<u>(73,000)</u>	<u>(55,964)</u>	<u>17,036</u>
<b>Other Financing Sources</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>52,500</u>	<u>52,500</u>
<i>Net Change in Fund Balance</i>	<u>(8,000)</u>	<u>(73,000)</u>	<u>(3,464)</u>	<u>69,536</u>
<i>Fund Balance Beginning of Year</i>	<u>4,166</u>	<u>4,166</u>	<u>4,166</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u><u>(\$3,834)</u></u>	<u><u>(\$68,834)</u></u>	<u><u>\$702</u></u>	<u><u>\$69,536</u></u>

See accompanying notes to the basic financial statements.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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**Note 1 – Reporting Entity**

The Harding Township, Lucas County, Ohio (the Township), is a body politic and corporate established in 1925 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 Township Fiscal Officer.

The reporting entity is comprised of the primary government.

**A. 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, and cemetery maintenance. The Township contracts with the Village of Swanton for fire protection. Police protection is provided by the Lucas County Sheriff.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on this criteria, the Township has no component units.

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**

As discussed further in Note 2.C, these financial statements are presented on a 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. Following are the more significant of the Township's accounting policies.

**A. 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.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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 nonexchange transactions.

The statement of net assets presents the cash balances 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 is self-financing on a cash basis or draws from the Township's general receipts.

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. Nonmajor funds are aggregated and presented in a single column.

B. 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 funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

- 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.
- Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.
- Special Fire Fund Levy Fund – This fund receives property tax money to provide fire protection services.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

- Cemetery Fund – This Fund collects fees for graves, opening and closing of graves, cremation urns and marker bases.

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

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. 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.

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.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. 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 certificate of estimated resources establishes a limit on the amount the Township may appropriate.

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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. 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 certificate 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.

**E. Cash**

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

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 2 – Summary of Significant Accounting Policies (continued)**

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 2008 was \$4,069 which includes \$2,598 assigned from other Township funds.

**F. 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.

**G. 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.

**H. Interfund Receivables/Payables**

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**I. 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 7 and 8, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

**J. 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 road and bridge construction, maintenance and repair, and fire protection.

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.

**K. 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. There were no fund balance reserves at year end.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 3 – 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 and major special revenue funds 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 which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end.

**Note 4 – 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 withdrawable 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;

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 4 - Deposits and Investments (continued)**

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.

**Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$158,022 of the Township's bank balance of \$408,022 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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 5 – 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 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007 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.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 5 – Property Taxes (continued)**

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. 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, 2008 was \$14.4 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$17,811,300
Commercial/Industrial	279,160
Tangible Personal Property	
Business	34,255
Public Utility	775,650
Total Assessed Value	<u><u>\$18,900,365</u></u>

**Note 6 – Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. American Risk Pooling Consultants, Inc. (APRCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

**Note 6 – Risk Management (continued)**

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Retained earnings	<u>\$27,755,922</u>	<u>\$29,852,866</u>

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Townships contributions to OTARMA for the past three years are as follows:

<b><u>Contributions to OTARMA</u></b>	
2006	\$4,599
2007	\$3,277
2008	\$3,282

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 6 – Risk Management (continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – 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) 222-5601 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans were required to contribute 10 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2008 was 14.00 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006, were \$7,627, \$7,205, and \$6,179 respectively. The full amount has been contributed for 2008, 2007, and 2006. Contributions to the member-directed plan for 2008 were \$7,627 made by the Township and \$5,448 made by the plan members.

HARDING TOWNSHIP  
LUCAS COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008  
(Continued)

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**Note 8 - Postemployment 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. 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 2008 local government employer contribution rate was 14 percent of covered payroll. The portion of employer contributions allocated to health care was 7.00 percent in 2008.

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, 2008, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees). In addition, annual pay increases over and above the 4% base increase, were assumed to range from .50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years, (8 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation.)

All investments are carried at market value. 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 363,503. as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388. Actual employer contributions for 2008 which were used to fund postemployment benefits were \$2,724. OPERS's net assets available for payment of benefits at December 31, 2008, were \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased on January 1 of each year from 2006 to 2008 which allowed additional funds to be allocated to the health care plan.

**Note 9 – Compliance and Accountability**

The Township appropriated funds in excess of estimated resources for the General Fund by \$13,773 and the Cemetery Fund by \$68,834. Expenditures exceeded Appropriations for the Gas Tax Fund by \$46,203.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Harding Township  
Lucas County  
13441 Angola Road  
Swanton, Ohio 43558-9157

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harding Township, Lucas County, (the Township) as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 16, 2010, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in

accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the finding 2008-003 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated September 16, 2010.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 16, 2010.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 16, 2010

HARDING TOWNSHIP  
LUCAS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008

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

FINDING NUMBER 2008-001

**Noncompliance Citation**

**Ohio Revised Code § 5705.39** states appropriations from each fund shall not exceed the estimated revenue available for expenditure and that no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The Township appropriated funds in excess of estimated resources for the Cemetery Fund by \$68,834 and for the General Fund by \$13,773.

The failure to limit appropriations by estimated resources could lead to overspending and cause a deficit in the fund balance. When modifying appropriations for each fund, the Township should review estimated resources to ensure the total appropriations do not exceed the available resources certified by the Budget Commission.

FINDING NUMBER 2008-002

**Noncompliance Citation**

**Ohio Revised Code § 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures have exceeded Appropriations for the Gas Tax Fund:

Approved Appropriations	Expenditures	Variance
\$115,000	\$161,203	\$46,203

The UAN accounting software does not allow expenditures to be made without sufficient appropriations. Appropriations reported in the UAN accounting software were \$172,000 for the Gas Tax Fund, allowing the Township to spend up to \$172,000 out of the Gas Tax Fund.

The failure to properly post approved appropriations to the UAN accounting system and monitor the systems monthly budgetary comparison reports could lead to overspending and cause a deficit in the fund balance.

To correct this condition, we recommend the Fiscal Officer only post approved appropriations to the UAN accounting system, and process the monthly budgetary reports. The Fiscal Officer and the Trustees should then monitor the budget versus actual data monthly.

### FINDING NUMBER 2008-003

#### Material Weakness - Monitoring of Financial Activity

Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. We noted examples such as the following during our audit:

- Adjustments to beginning Fund balances were made incorrectly to the General Fund for \$1,002, the Fire Fund for \$239, and the Remaining Fund Information Permissive Tax Fund for \$241;
- Disbursements for the Cemetery Fund were seventeen percent of Governmental Disbursements requiring the Cemetery Fund to be reported as a major fund, however, it was reported as Remaining Fund Information (RFI).;
- The Township has posted payments to OTARMA for Township liability insurance to the Motor Vehicle License Tax Fund 3,282 that should have been posted to the General Fund.
- Appropriations were reported for the General Fund final budget at \$37,900 more than the official approved appropriations resolution passed in August and posted in December.
- Appropriations were reported for the Gas Tax Fund final budget at \$57,000 more than the official approved appropriations resolution passed in August and posted in December;
- Rollback and Homestead Revenues were classified as Taxes in the Fire Fund for \$3,295 and should have been classified as Intergovernmental Revenues.
- Tax revenues and rollback and homestead revenues of \$21,897 and \$3,295 respectively were classified as General Receipts Property Taxes and should have been classified as General Receipts Property Taxes Levied for Special Fire and Operating Grants and Contributions – Public Safety on the Statement of Activities.
- Interest earned by the Gas Tax, Motor Vehicle License Tax and Permissive Tax Funds for \$5,325 were classified as General Receipts Interest and should have been classified as Operating Grants and Contributions – Public Works on the Statement of Activities.
- Payment of Township liability insurance for \$3,282 was posted to Government Activities Cash Disbursements Public Works and should have been posted to Government Activities Cash Disbursements General Government on the Statement of Activities.
- Corrections were also necessary to the footnotes and Management's Discussion and Analysis.

The above examples resulted in ten adjustments and six reclassifications. As a result, the financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and Township accounting records have been adjusted to reflect these changes.

We recommend the Fiscal Officer post all transactions including budgeted receipts and appropriations timely and in accordance with the guidance established by the Ohio Township Handbook issued by the Auditor of State and the Uniform Accounting Network – Accounting Manual Appendix A Township Chart of Accounts. Further, the Township should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to ensure errors and omissions are detected and corrected.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

**HARDING TOWNSHIP  
LUCAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	<b>Material Weakness</b> - Monitoring of Financial Activity	No	Not Corrected repeated in this report as finding 2008-003.



**Mary Taylor, CPA**  
Auditor of State

**HARDING TOWNSHIP**

**LUCAS 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  
NOVEMBER 4, 2010**