



**Auditor of State
Betty Montgomery**

HARMONY TOWNSHIP
CLARK COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Harmony Township
Clark County
11000 East National Road
P.O. Box 212
South Vienna, Ohio 45369

To the Board of Trustees:

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

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

Ambulance billings reported in the Special Revenue Fund Type as Charges for Services were processed by a service organization that is independent of the Township. The service organization did not provide us with evidence we requested regarding the design or proper operation of its internal control relative to the processing of the Township's ambulance billing and collecting transactions. We were unable to satisfy ourselves as to the proper processing of ambulance billing and collecting. Those transactions represent 12% and 10% of the Special Revenue Fund Receipts for the years ending December 31, 2002 and 2001, respectively.

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, except for the effects of such adjustments, if any as might have been determined to be necessary had we been able to examine the evidence regarding ambulance billings, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, 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.

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

Betty Montgomery
Auditor of State

June 9, 2003

**HARMONY TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$21,389	\$268,723	\$290,112
Intergovernmental	54,393	115,476	169,869
Charges for Services		54,719	54,719
Licenses, Permits, and Fees		15,250	15,250
Earnings on Investments	11,583	2,450	14,033
Other Revenue	11,379	11,079	22,458
	<u>98,744</u>	<u>467,697</u>	<u>566,441</u>
Total Cash Receipts			
	<u>98,744</u>	<u>467,697</u>	<u>566,441</u>
Cash Disbursements:			
Current:			
General Government	79,453		79,453
Public Safety	783	170,359	171,142
Public Works		229,159	229,159
Health		48,633	48,633
Debt Service:			
Redemption of Principal	23,859	53,482	77,341
Interest and Fiscal Charges	2,262	5,749	8,011
Capital Outlay	2,489	255,124	257,613
	<u>108,846</u>	<u>762,506</u>	<u>871,352</u>
Total Cash Disbursements			
	<u>108,846</u>	<u>762,506</u>	<u>871,352</u>
Total Receipts (Under) Disbursements	(10,102)	(294,809)	(304,911)
Other Financing Receipts:			
Proceeds from Sale of Public Debt:			
Sale of Bonds		245,673	245,673
		<u>245,673</u>	<u>245,673</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(10,102)	(49,136)	(59,238)
Fund Cash Balances, January 1	<u>294,728</u>	<u>528,998</u>	<u>823,726</u>
Fund Cash Balances, December 31	<u>\$284,626</u>	<u>\$479,862</u>	<u>\$764,488</u>
Reserve for Encumbrances, December 31	<u>\$261</u>	<u>\$1,018</u>	<u>\$1,279</u>

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

HARMONY TOWNSHIP
CLARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Non-Expendable Trust Fund</u>
Cash Receipts:	
Earnings on Investments	\$105
Cash Disbursements:	
Miscellaneous	<u>186</u>
Cash Receipts (Under) Cash Disbursements	(81)
Fund Cash Balance, January 1	<u>6,143</u>
Fund Cash Balance, December 31	<u><u>\$6,062</u></u>

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

**HARMONY TOWNSHIP
CLARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$17,475	\$253,357	\$270,832
Intergovernmental	121,813	140,810	262,623
Charges for Services		45,060	45,060
Licenses, Permits, and Fees		13,450	13,450
Earnings on Investments	22,960	6,388	29,348
Other Revenue	7,577	9,690	17,267
	<u>169,825</u>	<u>468,755</u>	<u>638,580</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	54,781		54,781
Public Safety	2,712	81,196	83,908
Public Works	763	152,490	153,253
Health	1,495	55,985	57,480
Debt Service:			
Redemption of Principal	22,783	51,014	73,797
Interest and Fiscal Charges	3,362	8,194	11,556
Capital Outlay	2,012	9,446	11,458
	<u>87,908</u>	<u>358,325</u>	<u>446,233</u>
Total Cash Disbursements			
Total Receipts Over Disbursements	<u>81,917</u>	<u>110,430</u>	<u>192,347</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Transfers-In		2,000	2,000
Transfers-Out	(2,000)		(2,000)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	79,917	112,430	192,347
Fund Cash Balances, January 1	<u>214,811</u>	<u>416,568</u>	<u>631,379</u>
Fund Cash Balances, December 31	<u><u>\$294,728</u></u>	<u><u>\$528,998</u></u>	<u><u>\$823,726</u></u>
Reserve for Encumbrances, December 31	<u><u>\$281</u></u>	<u><u>\$1,081</u></u>	<u><u>\$1,362</u></u>

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

HARMONY TOWNSHIP
CLARK COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCE
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Non-Expendable Trust Fund</u>
Cash Receipts:	
Earnings on Investments	\$245
Cash Disbursements:	
Miscellaneous	<u>119</u>
Cash Receipts Over Cash Disbursements	126
Fund Cash Balance, January 1	<u>6,017</u>
Fund Cash Balance, December 31	<u><u>\$6,143</u></u>

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

**HARMONY TOWNSHIP
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harmony Township, Clark County, (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Clark County Sheriff's department provides security of persons and property.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**HARMONY TOWNSHIP
CLARK COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Special Revenue Funds (continued)

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

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund – This non-expendable trust fund receives donations which are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

**HARMONY TOWNSHIP
CLARK COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$598,810	\$15,883
Certificates of deposit	110,000	20,000
Total deposits	708,810	35,883
STAR Ohio	61,740	487,085
Repurchase agreement		306,901
Total investments	61,740	793,986
Total deposits and investments	\$770,550	\$829,869

Deposits: Deposits are (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool or (3) specific pledged collateral. Of the above 2002 deposits, \$245,673 is restricted as specific pledged collateral. See note 5.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The repurchase agreements are categorized as Category 3 which includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department. The securities are not in the Township's name.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$102,744	\$98,744	(\$4,000)
Special Revenue	474,340	713,370	239,030
Fiduciary	95	105	10
Total	\$577,179	\$812,219	\$235,040

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$376,173	\$109,107	\$267,066
Special Revenue	963,259	763,524	199,735
Fiduciary	1,342	186	1,156
Total	\$1,340,774	\$872,817	\$467,957

**HARMONY TOWNSHIP
CLARK COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$170,617	\$169,825	(\$792)
Special Revenue	473,347	470,755	(2,592)
Fiduciary	276	245	(31)
Total	\$644,240	\$640,825	(\$3,415)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$292,663	\$90,189	\$202,474
Special Revenue	863,790	359,406	504,384
Fiduciary	218	119	99
Total	\$1,156,671	\$449,714	\$706,957

Contrary to Ohio law, the Township failed to increase estimated resources for debt proceeds and approve increased appropriations for the associated capital expenditure, and properly certify funds as available for certain expenditures

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 payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed 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.

**HARMONY TOWNSHIP
CLARK COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Fire Truck ACQ Bond	\$245,673	4.15%
Firehouse GO Bond	61,083	4.75%
Equipment ACQ Note	28,751	4.68%
Total	\$335,507	

The fire truck acquisition bond was issued to finance the purchase of a fire truck. The acquisition bond is secured by pledged collateral equal to the balance remaining on the bond at December 31.

The general obligation bond was issued to finance the purchase of a combined fire house and township building. The bond is collateralized solely by the Township's taxing authority.

The equipment acquisition note was issued to finance the purchase of a tractor with a loader and road mower.

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

	Fire Truck Acquisition Note	Firehouse General Obligation Bond	Equipment Acquisition Note	Total
Year ending December 31:				
2003	55,418	43,517	16,359	115,294
2004	55,418	21,471	14,495	91,384
2005	55,418			55,418
2006	55,418			55,418
2007	55,418			55,418
Total	\$277,090	\$64,988	\$30,854	372,932

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. 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, 2002.

**HARMONY TOWNSHIP
CLARK COUNTY**

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

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss with an aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. . The Travelers Indemnity Company reinsures specific losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

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

The Township also provides health insurance through Clark County and dental and vision coverage through a private carrier to full-time employees.

**HARMONY TOWNSHIP
CLARK COUNTY**

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

8. CONTINGENT LIABILITIES

The Township is not a defendant in any litigation that counsel believes will materially adversely affect the Township's financial condition.

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**Auditor of State
Betty Montgomery**

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

Harmony Township
Clark County
11000 East National Road
P.O. Box 212
South Vienna, Ohio 45369

To the Board of Trustees:

We have audited the accompanying financial statements of Harmony Township (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 9, 2003, which was qualified since certain information relating to Special Revenue Receipts was not available to be audited. Except for this matter we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 9, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-003.

**Internal Control Over Financial Reporting
(Continued)**

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we also consider the reportable condition described above as item 2002-003 to be a material weakness.

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

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

Betty Montgomery
Auditor of State

June 9, 2003

HARMONY TOWNSHIP
CLARK COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Ohio Rev. Code Section 5705.41(D) provides that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order of contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exception to this basic requirement is provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district. Amounts of less than \$1,000 for townships may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Township failed to properly certify funds, including the exception above, as available for 11% of the tested expenditures. Proper certification of funds would provide information on remaining available appropriations and unencumbered funds, which could aid in the financial decision making process.

FINDING NUMBER 2002-002

In order to facilitate repayment of debt, at the time notes or bonds are issued, the subdivision requests from the county budget commission an amended certificate of estimated resources pursuant to **Ohio Rev. Code Section 5705.36**. The new certificate should contain an increase in the estimate of bond retirement fund receipts equal to the amount which will be allocated to this fund for the repayment of the notes or bonds, including interest. Additionally, the amount of the general fund (or other appropriate fund) estimate should be reduced by the amount of interest generated by the issuance of the notes or bonds.

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

The Township issued a Fire Truck Acquisition Bond during 2002, however, at the time bonds were issued, the Township did not request an amended certificate of estimated resources from the county budget commission for debt proceeds nor did it appropriate the corresponding cash outlay for the purchase of the Fire Truck. Further, the Township did not post the bond proceeds or the associated capital expenditure on its books. To present accurate financial information to the users of their financial statements, the Township should record proceeds and corresponding capital expenditures from debt. Also, in order to comply with **Ohio Rev. Code Sections 5705.36 and 5705.41(B)**, the Township should request an amended certificate of estimated resources from the county budget commission and make necessary amendments to appropriations. The accompanying financial statements have been adjusted to reflect this activity.

FINDING NUMBER 2002-003

Emergency Medical Services Billings and Service Organization

The Township delegated emergency medical services (EMS) billing and collection services to Medicount Management, Inc., a third-party administrator. The Township prepared individual EMS run forms which were submitted to the service organization for billing and collection, and Medicount receives payments on behalf of the township and either mails checks or direct deposits payments, less fees, to the Township or its designated bank account, respectively. Although the Township did perform reconciliations and monitoring of the amounts received versus the amounts submitted to be billed and collected by Medicount, the Township did not have assurances that the service organization had sufficient procedures in place and operating effectively to reduce the risk that these services have not been completely and accurately processed in accordance with the Township's contract.

The Township should develop and implement procedures to monitor the activity of Medicount's processing of the Township's EMS accounts for reasonableness. This procedure should provide assurance over the completeness and accuracy of billing and should reduce the risk of errors or omissions by the service organization. This may be accomplished by an annual audit of the service provider processing. Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Township with an appropriate level of assurance that EMS billings are being processed in conformance with the contract.

The Township should consider specifying in their next contract with the third-party administrator that an annual Tier II SAS #70 audit report be performed and conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. The Township should be provided a copy of the SAS 70 report timely and should review the report's content. If the third-party administrator refuses to provide a Tier II SAS 70 report, we recommend that the Township only contract with a third-party administrator that will provide such a report.

**HARMONY TOWNSHIP
CLARK COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40312-001	Revised Code 5705.41(D), failure to certify funds	Not fully corrected.	Repeated. The Township failed to properly certify 11% of the transactions tested.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

HARMONY TOWNSHIP

CLARK 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
JULY 17, 2003**