

HARMONY TOWNSHIP
CLARK COUNTY
REGULAR AUDIT
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006 AND 2005
YEARS AUDITED UNDER GAGAS: 2006 AND 2005

CAUDILL & ASSOCIATES CPA's

725 5TH Street
Portsmouth, Ohio 45662



Mary Taylor, CPA
Auditor of State

Board of Trustees
Harmony Township
P.O. Box 212
South Vienna, Ohio 45369

We have reviewed the *Independent Auditor's Report* of Harmony Township, Clark County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Harmony Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 21, 2007

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**HARMONY TOWNSHIP
CLARK COUNTY, OHIO**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Harmony Township
Clark County
P.O. Box 212
South Vienna, Ohio 45369

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Harmony Township (the Township), Clark County, Ohio, as of and for the years ended December 31, 2006 and 2005. 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 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of Harmony Township, Clark County, Ohio as of December 31, 2006 and 2005, and the respective changes in financial position-cash basis and the respective budgetary comparisons for the General Fund, Fire Levy Fund, Road District Special Levy Fund, EMS billing Fund, and Gasoline Tax Fund, thereof and for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during the years ended December 31, 2006 and 2005, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Also as described in Note 3, during the years ended December 31, 2006 and 2005, the Township implemented GASB Statement No. 37, 38 and 40.

Board of Trustees
Harmony Township
Independent Auditor's Report
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In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2007, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caudill & Associates, CPAs

Caudill & Associates, CPAs
July 31, 2007

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This management's discussion and analysis of the Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the financial statements and notes to enhance their understanding of the Township's financial performance.

Key financial highlights for the fiscal year 2006 and 2005 are as follows:

- Net assets of governmental activities increased \$194,027 or 18.90% in 2006 and \$67,645 or 7.05% in 2005.
- General cash receipts accounted for \$630,980 or 68.82% of all cash receipts in 2006, and \$505,613 or 64.03% in 2005. Program cash receipts in the form of charges for services, grants, and contributions, accounted for \$285,878 or 31.18% in 2006, and \$284,096 or 35.97% in 2005.
- The Township had \$722,831 and \$722,064 in cash disbursements related to governmental activities in 2006 and 2005 respectively; only \$285,878 and \$284,096 of these cash disbursements, respectively, were offset by program specific charges for services, grants, and contributions.
- The Township's major governmental funds were the general fund, the Gasoline Tax Fund (only in 2005), the Fire Levy Fund, the Road District Special Levy Fund, the Emergency Management Service Billing Fund, and the Miscellaneous Capital Project Fund (only in 2006).
- The general fund had \$139,790 and \$168,845 in revenues and other financing sources in 2006 and 2005 respectively; and \$117,741 and \$141,806, respectively in expenditures and other financing uses. The general fund's fund balance increased \$22,049 from \$367,746 to \$389,795 in 2006; and increased \$27,039 to \$367,746 from \$340,707 in 2005.
- Another Township major governmental fund is the Fire Levy Fund. The Fire Levy Fund had \$153,208 and \$109,498 in revenues and other financing sources in 2006 and 2005 respectively; and \$146,965, and \$114,558, respectively, in expenditures and other financing sources. The Fire Levy fund balance increased \$6,243 from \$49,221 to \$55,464 in 2006, and decreased \$5,060 to \$49,221 from \$54,281 in 2005.
- The Road District Special Levy fund had \$118,517 and \$96,852 in revenues and other financing sources in 2006 and 2005 respectively; and \$80,021 and \$106,138, respectively in expenditures and other financing uses. The Road District Special Levy fund balance increased \$38,496 to \$104,034 from \$65,538 in 2006; and decreased by \$9,286 from \$74,824 to \$65,538 in 2005.
- The EMS Billing fund had \$76,679 and \$78,649 in revenues and other financing sources in 2006 and 2005 respectively; and \$26,682 and \$76,847, respectively in expenditures and other financing uses. The EMS Billing fund's fund balance increased \$49,997 to \$229,463 from \$179,466 in 2006; and \$1,802 to \$179,466 from \$177,664 in 2005.
- The Gasoline Tax fund had \$83,652 in revenues and other financing sources in 2005, and \$53,934 in expenditures and other financing uses. The Gasoline Tax fund's fund balance increased \$29,718 from \$55,797 to \$85,515 in 2005.
- The Miscellaneous Capital Project fund had \$120,852 in revenues and other financing sources in 2006, and \$120,852 in expenditures and other financing uses. There were no effect on the fund balance, as total receipts equal total disbursements.

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Using the 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 Government 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.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Government at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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, one should also consider other non-financial 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.

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Governmental activities: Most of the Township's basic services are reported here, including police, fire, streets, parks, and EMS. State and federal grants and income 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 split into two categories: governmental, and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the Township's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the Township is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. See Note 2 to the financial statements in the section entitled *Government-Wide Financial Statements*.

Fiduciary Funds - The Township only has one trust fund. All of the Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets – Cash Basis. We excluded these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the cash basis of accounting

The Government as a Whole

Table 1 provides a summary of the Government's net assets for 2006 compared to 2005 and 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2006	2005	2004
Assets			
Cash and Cash Equivalents	\$ 900,941	\$ 668,420	\$ 848,681
Investments	319,853	358,347	110,441
Total Assets	1,220,794	1,026,767	959,122
Net Assets			
Restricted for:			
Other Purposes	830,999	659,021	-
Unrestricted	389,795	367,746	959,122
Total Net Assets	\$ 1,220,794	1,026,767	\$ 959,122

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

As mentioned previously, net assets of governmental activities increased \$194,027 or 18.9% percent, and \$67,645 or 7.05%, in 2006 and 2005 respectively. Net assets increased in 2006 mainly due to purchase of equipments financed by loans. The 2005 increase was mainly due to increased gasoline tax revenues.

Table 2 reflects the changes in net assets in 2006 and 2005. Since the Government did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented for 2004. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$108,795	\$111,465
Operating Grants and Contributions	177,083	172,631
Total Program Receipts	<u>285,878</u>	<u>284,096</u>
General Receipts:		
Property and Other Local Taxes	319,163	365,562
Grants and Entitlements Not Restricted to Specific Programs	182,751	95,328
Proceeds from the Sale of Notes	62,000	0
Interest	55,547	29,986
Miscellaneous	11,519	14,737
Total General Receipts	<u>630,980</u>	<u>505,613</u>
Total Receipts	<u>916,858</u>	<u>789,709</u>
Disbursements:		
General Government	93,256	103,843
Public Safety	120,674	117,093
Public Health Services	25,189	70,812
Public Works	213,625	257,439
Capital Outlay	203,115	111,557
Principal Retirement	62,270	54,365
Interest and Fiscal Charges	4,702	6,955
Total Disbursements	<u>722,831</u>	<u>722,064</u>
Increase (Decrease) in Net Assets	<u>194,027</u>	<u>67,645</u>
Beginning Net Assets (Restated - See Note 3)	1,026,767	959,122
Net Assets, End of Year	<u>\$1,220,794</u>	<u>\$1,026,767</u>

Program receipts represent only 31.18% and 35.97% of total receipts in 2006 and 2005 respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and Emergency Management Services under contract.

General receipts represent 68.82% and 64.03% of the Township's total receipts in 2006 and 2005 respectively, and of this amount, 50.58% and 72.30% are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts (28.96% and 18.85% for 2006 and 2005 respectively). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of Trustees, Clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 15 % of General Fund unrestricted receipts.

Public Works costs, which, account for the Township's maintenances of roads, bridges, etc., represent the largest of the Township's cash disbursements, 29.56% and 35.66% in 2006 and 2005, respectively. Capital Outlay, which reflects the Township's acquisition of equipments for Fire and Emergency Management Services, was also a major source of disbursements, accounting for 28.10% and 15.45% of total cash disbursements in 2006 and 2005, respectively. Public Safety, through the Township's fire and emergency services was responsible for 16.70% and 16.22% of total cash disbursements in 2006 and 2005, respectively.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 (next) shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenue and unrestricted state entitlements

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$ 93,256	\$ 81,294	\$ 103,843	\$ 92,710
Public Safety	120,674	16,538	117,093	12,075
Public Work	213,625	60,503	257,439	108,220
Public Health	25,189	8,531	70,812	52,086
Capital Outlay	203,115	203,115	111,557	111,557
Principal Retirement	62,270	62,270	54,365	54,365
Interest and Fiscal Charges	4,702	4,702	6,955	6,955
Total Expenses	\$ 722,831	\$ 436,953	\$ 722,064	\$ 437,968

The dependence upon property and income tax receipts is apparent as over 60% of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$916,858 and \$789,709 in 2006 and 2005 respectively, and had disbursements of \$722,831 and \$722,064 in 2006 and 2005 respectively.

In Fiscal year 2006, the greatest change within governmental funds occurred within the General Fund, the EMS billing fund and the Road District Special Levy Fund.

During that year, the fund balance of the General Fund increased \$22,049 as the result of decreased capital outlay expenditures and increased interest revenues.

The EMS billing fund balance increased \$49,997 fueled by the decrease in capital outlay expenditures, although its revenues were consistent from the prior year at \$76,679.

The Fire Levy fund balance increased by \$38,496 in 2006, mostly because of the proceeds from debt issued by the Township, but also from decreased road maintenance expenditures.

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

In Fiscal year 2005, major changes in fund balances occurred within the General Fund and the Gasoline Tax Fund.

The General Fund balance increased \$27,039 to \$367,746, mainly because of increased taxes and intergovernmental receipts compared to expenditures.

The Gasoline Tax Fund balance increased \$29,718 to \$85,515, fueled by increased intergovernmental revenues.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, several revisions were made to the General Fund estimated receipts, which were increased from the original estimates by \$61,600 to \$139,790. And accordingly, the General Fund had increases in the amount of \$34,277 in the appropriations from the original budget to the final budget. The increases were the result of revisions to original expenditures projections. The General Fund's ending unobligated cash balance was \$389,795.

In 2005, estimated receipts were also revised and increased from original estimates by \$78,235 to \$168,845 due to increased intergovernmental and interest receipts. Estimated appropriations were also increased as a result. Appropriations increased \$37,974 from the original budget to the final budget. The General Fund's ending unobligated cash balance was \$367,746 in 2005.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying financial statements, but records payments for capital assets as disbursements. The Township had capital outlay disbursements of \$203,115 and \$111,557 during fiscal year 2006 and 2005, respectively.

Debt

Under the cash basis of accounting the Township does not report bonds, long-term notes or short-term notes in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the Township's long-term debt. At December 31, 2006, the Township had \$115,157 in long-term debt for Governmental Activities. For additional information regarding debt, please see note 10 to the financial statements.

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4
Outstanding Debt at December 31
Governmental Activities

	2006	2005
Fire Truck Acquisition Bond	\$53,157	\$104,268
2004 Tractor Note	0	11,159
SCBA Acquisition Note	40,000	0
Snow Plow Acquisition Note	22,000	0
	\$115,157	\$115,427

Harmony Township
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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 Marcia Farquer, Clerk-Treasurer, Harmony Township, P.O Box 212., South Vienna, Ohio 45369.

Harmony Township
Statement of Net Assets - Cash Basis
December 31, 2006

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 900,941
Investments	<u>319,853</u>
<i>Total Assets</i>	<u><u>1,220,794</u></u>
Net Assets	
Restricted for:	
Other Purposes	830,999
Unrestricted	<u>389,795</u>
<i>Total Net Assets</i>	<u><u>\$ 1,220,794</u></u>

See accompanying notes to the financial statements

Harmony Township
Clark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net
Cash	Charges	Operating	(Disbursements)	
Disbursements	for Services and Sales	Grants and Contributions	Receipts and Changes in Net Assets	
Governmental Activities				
General Government	\$ 93,256	\$ 9,602	\$ 2,360	\$ (81,294)
Public Safety	120,674	82,804	21,332	(16,538)
Public Works	213,625	-	153,122	(60,503)
Health	25,189	16,389	269	(8,531)
Capital Outlay	203,115	-	-	(203,115)
Debt Service:				
Principal Retirement	62,270	-	-	(62,270)
Intereste and Fiscal Charges	4,702	-	-	(4,702)
<i>Total Governmental Activities</i>	<u>\$ 722,831</u>	<u>\$ 108,795</u>	<u>\$ 177,083</u>	<u>\$ (436,953)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				319,163
Grants and Entitlements not Restricted to Spe				182,751
Proceeds from the Sale of Notes				62,000
Interest				55,547
Miscellaneous				11,519
<i>Total General Receipts</i>				630,980
Change in Net Assets				194,027
<i>Net Assets Beginning of Year</i>				1,026,767
<i>Net Assets End of Year</i>				<u>\$ 1,220,794</u>

See accompanying notes to the financial statements

Harmony Townshio
Clark County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 668,420
Investments	<u>358,347</u>
<i>Total Assets</i>	<u><u>1,026,767</u></u>
Net Assets	
Restricted for:	
Other Purposes	659,021
Unrestricted	<u>367,746</u>
<i>Total Net Assets</i>	<u><u>\$ 1,026,767</u></u>

See accompanying notes to the financial statements

Harmony Township
Clark County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
General Government	\$ 103,843	\$ 9,941	\$ 1,192	\$ (92,710)
Public Safety	117,093	85,824	19,194	(12,075)
Public Works	257,439	-	149,219	(108,220)
Health	70,812	15,700	3,026	(52,086)
Capital Outlay	111,557	-	-	(111,557)
Debt Services:				
Principal Retirement	54,365	-	-	(54,365)
Interest and Fiscal Charges	6,955	-	-	(6,955)
<i>Total Governmental Activities</i>	<u>\$ 722,064</u>	<u>\$ 111,465</u>	<u>\$ 172,631</u>	<u>\$ (437,968)</u>
		General Receipts		
		Property Taxes Levied for:		
		General Purposes		365,562
		Grants and Entitlements not Restricted to Specific Programs		95,328
		Interest		29,986
		Miscellaneous		<u>14,737</u>
		<i>Total General Receipts</i>		505,613
		Change in Net Assets		67,645
		<i>Net Assets Beginning of Year</i>		<u>959,122</u>
		<i>Net Assets End of Year</i>		<u>\$ 1,026,767</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP
CLARK COUNTY
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2006

	General	Fire Levy	Road District Special Levy	EMS Billing	Misc Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 286,222	\$ 41,429	\$ 76,106	\$ 168,635	\$ -	\$ 328,549	\$ 900,941
Investments	103,573	14,035	27,928	60,828	-	113,489	319,853
<i>Total Assets</i>	<u>389,795</u>	<u>55,464</u>	<u>104,034</u>	<u>229,463</u>	<u>-</u>	<u>442,038</u>	<u>1,220,794</u>
Fund Balances							
Undesignated (Deficit), Reported in:							
General Fund	389,795	-	-	-	-	-	389,795
Special Revenue Funds	-	55,464	104,034	229,463	-	442,038	830,999
<i>Total Fund Balances</i>	<u>\$ 389,795</u>	<u>\$ 55,464</u>	<u>\$ 104,034</u>	<u>\$ 229,463</u>	<u>\$ -</u>	<u>\$ 442,038</u>	<u>\$ 1,220,794</u>

See accompanying notes to the financial statements

**HARMONY TOWNSHIP
CLARK COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2006*

	General	Fire Levy	Road District Special Levy	EMS Billing	Misc Capital Projects	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 22,054	\$ 97,648	\$ 86,073	\$ -	\$ -	\$ 113,388	\$ 319,163
Charges for Services	-	-	-	76,679	-	6,125	82,804
Licenses, Permits and Fees	9,602	-	-	-	-	16,389	25,991
Intergovernmental	62,082	12,060	10,444	-	120,852	154,396	359,834
Interest	45,364	-	-	-	-	10,183	55,547
Other	688	3,500	-	-	-	7,331	11,519
<i>Total Cash Receipts</i>	<u>139,790</u>	<u>113,208</u>	<u>96,517</u>	<u>76,679</u>	<u>120,852</u>	<u>307,812</u>	<u>854,858</u>
Disbursements							
Current:							
General Government	93,256	-	-	-	-	-	93,256
Public Safety	-	47,604	-	22,912	-	50,158	120,674
Public Works	12,188	-	46,312	-	-	155,125	213,625
Health	10,402	-	-	-	-	14,787	25,189
Capital Outlay	1,895	43,939	22,159	3,770	120,852	10,500	203,115
Debt Service:							
Principal Retirement	-	51,111	11,159	-	-	-	62,270
Interest and Fiscal Charges	-	4,311	391	-	-	-	4,702
<i>Total Cash Disbursements</i>	<u>117,741</u>	<u>146,965</u>	<u>80,021</u>	<u>26,682</u>	<u>120,852</u>	<u>230,570</u>	<u>722,831</u>
<i>Excess of Receipts Over (Under) Disburse</i>	<u>22,049</u>	<u>(33,757)</u>	<u>16,496</u>	<u>49,997</u>	<u>-</u>	<u>77,242</u>	<u>132,027</u>
Other Financing Sources (Uses)							
Proceeds from the Sale of Notes	-	40,000	22,000	-	-	-	62,000
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>40,000</u>	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,000</u>
<i>Net Change in Fund Balances</i>	22,049	6,243	38,496	49,997	-	77,242	194,027
<i>Fund Balances Beginning of Year</i>	<u>367,746</u>	<u>49,221</u>	<u>65,538</u>	<u>179,466</u>	<u>-</u>	<u>364,796</u>	<u>1,026,767</u>
<i>Fund Balances End of Year</i>	<u>\$ 389,795</u>	<u>\$ 55,464</u>	<u>\$ 104,034</u>	<u>\$ 229,463</u>	<u>\$ -</u>	<u>\$ 442,038</u>	<u>\$ 1,220,794</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 22,096	\$ 22,054	\$ 22,054	\$ -
Licenses, Permits and Fees	-	9,602	9,602	-
Intergovernmental	23,498	62,082	62,082	-
Earnings on Investments	7,006	45,364	45,364	-
Miscellaneous	9,000	688	688	-
<i>Total receipts</i>	<u>61,600</u>	<u>139,790</u>	<u>139,790</u>	<u>-</u>
Disbursements				
Current:				
General Government	328,345	348,622	93,256	255,366
Public Safety	3,000	3,000	-	3,000
Public Works	30,500	14,500	12,188	2,312
Health	5,000	35,000	10,402	24,598
Capital Outlay	20,000	20,000	1,895	18,105
Total Disbursements	<u>386,845</u>	<u>421,122</u>	<u>117,741</u>	<u>303,381</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(325,245)</u>	<u>(281,332)</u>	<u>22,049</u>	<u>303,381</u>
Net Change in Fund Balance	<u>(325,245)</u>	<u>(281,332)</u>	<u>22,049</u>	<u>303,381</u>
Fund Balance Beginning of Year	<u>367,746</u>	<u>367,746</u>	<u>367,746</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 42,501</u>	<u>\$ 86,414</u>	<u>\$ 389,795</u>	<u>\$ 303,381</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual -Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 98,277	\$ 97,648	\$ 97,648	\$ -
Intergovernmental	11,700	12,060	12,060	-
Miscellaneous	1,900	3,500	3,500	-
Total receipts	<u>111,877</u>	<u>113,208</u>	<u>113,208</u>	<u>-</u>
Disbursements				
Current:				
Public Safety	101,675	101,675	47,604	54,071
Capital Outlay	44,000	44,000	43,939	61
Debt Service:				
Principal Retirement	51,111	51,111	51,111	-
Interest and Fiscal Charges	4,311	4,311	4,311	-
Total Disbursements	<u>201,097</u>	<u>201,097</u>	<u>146,965</u>	<u>54,132</u>
Excess of Receipts Over (Under) Disbursements	<u>(89,220)</u>	<u>(87,889)</u>	<u>(33,757)</u>	<u>54,132</u>
Other Financing Sources (Uses)				
Proceeds from the Sale of Notes	40,000	40,000	40,000	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(49,220)</u>	<u>(47,889)</u>	<u>6,243</u>	<u>54,132</u>
Fund Balance Beginning of Year	<u>49,221</u>	<u>49,221</u>	<u>49,221</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1</u>	<u>\$ 1,332</u>	<u>\$ 55,464</u>	<u>\$ 54,132</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual -Budget Basis
Road District Special Levy Fund
For the Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 86,684	\$ 86,073	\$ 86,073	\$ -
Intergovernmental	10,450	10,444	10,444	-
Total receipts	97,134	96,517	96,517	-
Disbursements				
Current:				
Public Works	132,513	131,506	46,312	85,194
Capital Outlay	30,159	22,159	22,159	-
Debt Service:				
Principal Retirement	-	11,159	11,159	-
Interest and Fiscal Charges	-	391	391	-
Total Disbursements	162,672	165,215	80,021	85,194
Excess of Receipts Over (Under) Disbursements	(65,538)	(68,698)	16,496	85,194
Other Financing Sources (Uses)				
Proceeds from the sale of Notes	22,000	22,000	22,000	-
Total Other Financing Sources (Uses)	22,000	22,000	22,000	-
Net Change in Fund Balance	(43,538)	(46,698)	38,496	85,194
Fund Balance Beginning of Year	65,538	65,538	65,538	-
Fund Balance End of Year	\$ 22,000	\$ 18,840	\$ 104,034	\$ 85,194

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual -Budget Basis
EMS Billing Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Charges for Services	\$ 70,000	\$ 76,679	\$ 76,679	\$ -
Total receipts	<u>70,000</u>	<u>76,679</u>	<u>76,679</u>	<u>-</u>
Disbursements				
Current:				
Public Safety	221,000	221,000	22,912	198,088
Capital Outlay	<u>28,466</u>	<u>28,466</u>	<u>3,770</u>	<u>24,696</u>
Total Disbursements	<u>249,466</u>	<u>249,466</u>	<u>26,682</u>	<u>222,784</u>
Excess of Receipts Over (Under) Disbursements	<u>(179,466)</u>	<u>(172,787)</u>	<u>49,997</u>	<u>222,784</u>
Net Change in Fund Balance	<u>(179,466)</u>	<u>(172,787)</u>	<u>49,997</u>	<u>222,784</u>
Fund Balance Beginning of Year	<u>179,466</u>	<u>179,466</u>	<u>179,466</u>	<u>-</u>
Fund Balance End of Year	<u>\$ -</u>	<u>\$ 6,679</u>	<u>\$ 229,463</u>	<u>\$ 222,784</u>

See accompanying notes to the financial statements

**HARMONY TOWNSHIP
CLARK COUNTY**

*Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2005*

	General	Gasoline Tax	Fire Levy	Road District Special Levy	EMS Billing	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 236,552	\$ 56,081	\$ 32,106	\$ 42,510	\$ 118,098	\$ 183,073	\$ 668,420
Investments	131,194	29,434	17,115	23,028	61,368	96,208	358,347
<i>Total Assets</i>	<u>367,746</u>	<u>85,515</u>	<u>49,221</u>	<u>65,538</u>	<u>179,466</u>	<u>279,281</u>	<u>1,026,767</u>
Fund Balances							
Undesignated (Deficit), Reported in:							
General Fund	367,746	-	-	-	-	-	367,746
Special Revenue Funds	-	85,515	49,221	65,538	179,466	279,281	659,021
<i>Total Fund Balances</i>	<u>\$ 367,746</u>	<u>\$ 85,515</u>	<u>\$ 49,221</u>	<u>\$ 65,538</u>	<u>\$ 179,466</u>	<u>\$ 279,281</u>	<u>\$ 1,026,767</u>

See accompanying notes to the financial statements

**HARMONY TOWNSHIP
CLARK COUNTY**
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax	Fire Levy	Road District Special Levy	EMS Billing	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 22,080	\$ -	\$ 97,650	\$ 86,144	\$ -	\$ 159,688	\$ 365,562
Charges for Services	-	-	-	-	78,649	7,175	85,824
Licenses, Permits and Fees	9,941	-	-	-	-	15,700	25,641
Intergovernmental	101,320	80,670	11,848	10,442	-	63,679	267,959
Interest	24,782	2,146	-	-	-	3,058	29,986
Other	10,722	836	-	266	-	2,913	14,737
<i>Total Cash Receipts</i>	<u>168,845</u>	<u>83,652</u>	<u>109,498</u>	<u>96,852</u>	<u>78,649</u>	<u>252,213</u>	<u>789,709</u>
Disbursements							
Current:							
General Government	103,843	-	-	-	-	-	103,843
Public Safety	745	-	53,798	-	13,274	49,276	117,093
Public Works	3,423	53,934	-	99,240	-	100,842	257,439
Health	-	-	-	-	-	70,812	70,812
Capital Outlay	33,795	-	5,338	1,000	63,573	7,851	111,557
Debt Service:							
Principal Retirement	-	-	49,074	5,291	-	-	54,365
Interest and Fiscal Charges	-	-	6,348	607	-	-	6,955
<i>Total Cash Disbursements</i>	<u>141,806</u>	<u>53,934</u>	<u>114,558</u>	<u>106,138</u>	<u>76,847</u>	<u>228,781</u>	<u>722,064</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>27,039</u>	<u>29,718</u>	<u>(5,060)</u>	<u>(9,286)</u>	<u>1,802</u>	<u>23,432</u>	<u>67,645</u>
<i>Net Change in Fund Balances</i>	27,039	29,718	(5,060)	(9,286)	1,802	23,432	67,645
<i>Fund Balances Beginning of Year (Restated)</i>	<u>340,707</u>	<u>55,797</u>	<u>54,281</u>	<u>74,824</u>	<u>177,664</u>	<u>255,849</u>	<u>959,122</u>
<i>Fund Balances End of Year</i>	<u>\$ 367,746</u>	<u>\$ 85,515</u>	<u>\$ 49,221</u>	<u>\$ 65,538</u>	<u>\$ 179,466</u>	<u>\$ 279,281</u>	<u>\$ 1,026,767</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual -Budget Basis

General Fund

For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 20,580	\$ 22,080	\$ 22,080	\$ -
Licenses, Permits and Fees	9,941	9,941	9,941	-
Intergovernmental	32,242	101,320	101,320	-
Earnings on Investments	10,000	24,782	24,782	-
Miscellaneous	5,472	10,722	10,722	-
<i>Total receipts</i>	<u>78,235</u>	<u>168,845</u>	<u>168,845</u>	<u>-</u>
Disbursements				
Current:				
General Government	305,883	311,857	103,843	208,014
Public Safety	30,000	30,000	745	29,255
Public Works	41,000	41,000	3,423	37,577
Health	5,000	5,000	-	5,000
Capital Outlay	3,000	35,000	33,795	1,205
<i>Total Disbursements</i>	<u>384,883</u>	<u>422,857</u>	<u>141,806</u>	<u>281,051</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(306,648)</u>	<u>(254,012)</u>	<u>27,039</u>	<u>281,051</u>
<i>Other Financing Sources (Uses)</i>				
Other Financing Uses	(25,000)	(25,000)	-	25,000
<i>Total Other Financing Sources (Uses)</i>	<u>(25,000)</u>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>
Net Change in Fund Balance	(331,648)	(279,012)	27,039	306,051
Fund Balance Beginning of Year	340,707	340,707	340,707	-
Fund Balance End of Year	<u>\$ 9,059</u>	<u>\$ 61,695</u>	<u>\$ 367,746</u>	<u>\$ 306,051</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 55,200	\$ 80,670	\$ 80,670	\$ -
Earnings on Investments	-	2,146	2,146	-
Miscellaneous	-	787	836	49
Total receipts	<u>55,200</u>	<u>83,603</u>	<u>83,652</u>	<u>49</u>
Disbursements				
Current:				
Public Works	110,996	110,996	53,934	57,062
Total Disbursements	<u>110,996</u>	<u>110,996</u>	<u>53,934</u>	<u>57,062</u>
Excess of Receipts Over (Under) Disbursements	<u>(55,796)</u>	<u>(27,393)</u>	<u>29,718</u>	<u>57,111</u>
Net Change in Fund Balance	(55,796)	(27,393)	29,718	57,111
Fund Balance Beginning of Year	<u>55,797</u>	<u>55,797</u>	<u>55,797</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1</u>	<u>\$ 28,404</u>	<u>\$ 85,515</u>	<u>\$ 57,111</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 94,791	\$ 97,650	\$ 97,650	\$ -
Intergovernmental	11,000	11,848	11,848	-
Miscellaneous	1,908	-	-	-
Total receipts	<u>107,699</u>	<u>109,498</u>	<u>109,498</u>	<u>-</u>
Disbursements				
Current:				
Public Safety	99,969	99,969	53,798	46,171
Capital Outlay	6,587	6,587	5,338	1,249
Debt Service:				
Principal Retirement	49,075	49,075	49,074	1
Interest and Fiscal Charges	6,348	6,348	6,348	-
Total Disbursements	<u>161,979</u>	<u>161,979</u>	<u>114,558</u>	<u>47,421</u>
Excess of Receipts Over (Under) Disbursements	<u>(54,280)</u>	<u>(52,481)</u>	<u>(5,060)</u>	<u>47,421</u>
Net Change in Fund Balance	(54,280)	(52,481)	(5,060)	47,421
Fund Balance Beginning of Year	<u>54,281</u>	<u>54,281</u>	<u>54,281</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 1</u>	<u>\$ 1,800</u>	<u>\$ 49,221</u>	<u>\$ 47,421</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road District Special Levy Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 84,641	\$ 86,144	\$ 86,144	\$ -
Intergovernmental	10,000	10,442	10,442	-
Miscellaneous	-	-	266	266
Total receipts	<u>94,641</u>	<u>96,586</u>	<u>96,852</u>	<u>266</u>
Disbursements				
Current:				
Public Works	144,395	144,395	99,240	45,155
Capital Outlay	25,062	19,164	1,000	18,164
Debt Service:				
Principal Retirement	-	5,291	5,291	-
Interest and Fiscal Charges	-	607	607	-
Total Disbursements	<u>169,457</u>	<u>169,457</u>	<u>106,138</u>	<u>63,319</u>
Excess of Receipts Over (Under) Disbursements	<u>(74,816)</u>	<u>(72,871)</u>	<u>(9,286)</u>	<u>63,585</u>
Net Change in Fund Balance	(74,816)	(72,871)	(9,286)	63,585
Fund Balance Beginning of Year	<u>74,824</u>	<u>74,824</u>	<u>74,824</u>	<u>-</u>
Fund Balance End of Year	<u>\$ 8</u>	<u>\$ 1,953</u>	<u>\$ 65,538</u>	<u>\$ 63,585</u>

See accompanying notes to the financial statements

HARMONY TOWNSHIP, CLARK COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balances
Budget and Actual -Budget Basis
EMS Billing Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$ 62,000	\$ 78,649	\$ 78,649	\$ -
Total receipts	62,000	78,649	78,649	-
Disbursements				
Current:				
Public Safety	49,500	49,500	13,274	36,226
Capital Outlay	190,163	190,163	63,573	126,590
Total Disbursements	239,663	239,663	76,847	162,816
Excess of Receipts Over (Under) Disbursements	(177,663)	(161,014)	1,802	162,816
Net Change in Fund Balance	(177,663)	(161,014)	1,802	162,816
Fund Balance Beginning of Year	177,664	177,664	177,664	-
Fund Balance End of Year	<u>\$ 1</u>	<u>\$ 16,650</u>	<u>\$ 179,466</u>	<u>\$ 162,816</u>

See accompanying notes to the financial statements

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 1 – Reporting Entity

The Harmony Township, Clark County, Ohio (the Township), is a body politic and corporate established in 1818 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 a Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

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, and Fire and Emergency Medical Services. Police protection is provided by the Clark County Sheriff's Department.

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.

Harmony Township has no component units based on these criteria.

C. Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility

The Township participates in the Ohio Township Association Risk Management Authority (OTARAMA), a public entity risk pool. Note 7 to the financial statements provide additional information for that entity.

The OTARAMA is a risk-sharing pool available to Ohio local governments, and provides property and casualty coverage for its members. OTARAMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARAMA. OTARAMA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Additional information will be discussed in Note 7.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 1 – Reporting Entity (Continued)

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, 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 financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Harmony Township has no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for 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 or business-type activity 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 and enterprise 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. The Township has no enterprise or fiduciary funds.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

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 only governmental funds.

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 as of December 31, 2006, are the General Fund, the Fire Levy Fund, The Road District Levy Fund, the EMS Service fund, the Miscellaneous Capital Project Fund. In 2005, in addition to the funds listed above, and except for the Miscellaneous Capital Project Fund, the Gasoline Tax Fund was considered a major fund.

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The Fire Levy Fund is used to provide fire protection, provide and maintain fire apparatus, buildings, radio equipment and payment of permanent part-time or volunteer firemen and dispatchers.

The Road Levy Fund is used to provide road resurfacing, and to repair roads.

The EMS Service Fund is a billing service for EMS service provided by the Township to individuals and other governments. The Fund is used to provide and maintain emergency vehicles and apparatus, maintain radio equipment and payment of permanent, part-time, and volunteer EMS personnel and dispatchers.

The Miscellaneous Capital Project Fund is used to account for the Plattsburg Road project financed through CDBG fund received from the Clark County.

The Gasoline Tax Fund is used to account for gasoline tax received from the State and the County, and serves primarily to fund the Township's road and bridges projects.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. Other governmental fund column on the financial statements does not include the other major funds described here.

C. Basis of Accounting

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

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

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds, except agency 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

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 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 Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006 and 2005, the Township invested in Star Ohio.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (Continued)

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. All Interest receipts are credited to the General Fund, except those specifically related to those funds deemed appropriate according to the Township's policy and purpose of the funds.

For Fiscal Year 2006 and 2005, interest receipts amounted to \$55,547 and \$29,986 respectively, of which, \$45,364, and \$24,782 respectively, were credited to the General Fund.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

G. 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.

H. 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

I. 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

J. Accumulated Leave

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

K. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

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

M. 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 Repair, Fire equipment and operations, and EMS equipment and operations and other governmental funds which include state grants reported in special revenue funds.

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.

The government-wide net assets reports \$830,999 and \$659,021 of restricted net assets, for Fiscal Year end 2006 and 2005 respectively; none of which is restricted by enabling legislation.

N. 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. No Fund balance reserves have been established for encumbrances.

O. Interfund Transactions

Transfers from one fund to another or within the same function are eliminated on the Statement of Activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 3 – Change in Basis of Accounting and Restatement of Fund Balances

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. Beginning in 2005, the Township has implemented the cash basis of accounting described in note 2. The Township implemented GASB Statement No. 34, *Basic Financial Statements-and Management’s Discussion and Analysis-for State and local governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The fund financial statements now present major fund in a separate column with nonmajor funds aggregated in a single column, rather that a column for each fund type.

GASB Statement No. 40 creates new disclosure requirements for deposits and investments related to risk, including credit risk, interest rate risk and foreign currency risk. Expanded risk disclosures for the Township’s demand deposits and investments are included in Note 5 as the result of the implementation of GASB Statement No.40.

The effect of the implementation of GASB Statement No.34 is that fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. As a result, there was a reclassification of certain Expendable Trust funds that were previously accounted as fiduciary funds.

The transition from governmental and proprietary fund balances to GASB 34-like fund balances is presented below:

	<u>General Fund</u>	<u>Gasoline Tax Fund</u>	<u>Fire Levy Fund</u>	<u>Road District Special Levy Fund</u>	<u>EMS Billing Fund</u>	<u>Other Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
Fund Balance December 31, 2004	\$ 340,707	\$ 55,797	\$ 54,281	\$ 74,824	\$ 177,664	\$ 250,102	\$ 953,375
Reclassification of Non-expendable trust funds						5,747	5,747
Adjusted Fund Balance	<u>\$ 340,707</u>	<u>\$ 55,797</u>	<u>\$ 54,281</u>	<u>\$ 74,824</u>	<u>\$ 177,664</u>	<u>\$ 255,849</u>	<u>\$ 959,122</u>

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 4 – 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, the Fire Levy Fund, the Road District Special Levy Fund, the EMS billing Fund and the Gasoline Tax Fund (2005), 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, and are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis), and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). The Township had no outstanding encumbrances at December 31, 2006 or at December 31, 2005.

Note 5 – Deposits and Investments

State statutes classify monies held by the Township into three categories.

Active monies are public monies necessary to meet current demands on the 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 has 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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 5 – Deposits And Investments (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAROhio).

The Township may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the Township.

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.

Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits 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.

As of December 31, 2006 and December 31, 2005, the carrying amounts of the Township's deposits were \$900,941 and \$668,420. The Township's bank balances were \$911,113 and \$675,648, respectively, of which, \$811,113 and \$575,648 were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution, 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.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 5 – Deposits and Investments (continued)

B. Investments

As of December 31, 2006 and December 31, 2005, the Township had the following investments. All investments are in an internal investment pool.

	Investment 2006	Maturity Less than 1 year	Investment 2005	Maturity Less than 1 year
StarOhio	\$ 319,853	\$ 319,853	\$ 358,347	\$ 358,347
Totals	\$ 319,853	\$ 319,853	\$ 358,347	\$ 358,347

Interest Rate Risk – State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity. The Township has no investment policy, other than the one prescribed by the Ohio statute.

Credit Risk – STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Certificate of Deposit is guaranteed by the Federal Depository Insurance Corporation (FDIC). The Township's investments are limited to those investments authorized by State statute.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Township has no investment policy dealing with custodial credit risk beyond the requirements of the State which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Concentration of Credit Risk – It is the policy of the Township to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, issuer, or class of securities. The Township places no limit on the amount it may invest in any one issuer. The Township's investments in the STAROhio fund represent 100% of the Township's investments for 2006 and 2005.

Note 6 – 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 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 6 – Property Taxes (Continued)

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. 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, 2006, was \$7.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$42,456,600
Commercial/Industrial/Mineral	3,554,510
Public Utility Property	59,880
Real	5,374,900
Personal	2,480,700
Tangible Personal Property	393,290
Total Assessed Value	<u><u>\$54,319,880</u></u>

Note 7 – 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. 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.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 7 – Risk Management (Continued)

Casualty Coverage – For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA’s retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage – Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 township.

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, 2006 and 2005:

<u>Casualty Coverage</u>	2006	2005
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
 <u>Property Coverage</u>	 2006	 2005
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The Township's contribution rate for pension benefits for 2006 was 13.70 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$13,442, \$12,556, and \$11,677 respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$1,438 made by the Township and \$1,458 made by the plan members.

Note 9 - 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 qualified survivor benefit 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 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 9 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

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 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$4,416. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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 as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2006 and December 31, 2005 were as follows:

	Interest Rate	2006			Balance December 31, 2006	Due Within One Year
		Balance January 1, 2006	Additions	Reductions		
Fire Truck Acquisition Bond	4.15%	\$104,268	\$0	\$51,111	\$53,157	\$53,157
2004 Tractor Note	3.75%	11,159	0	11,159	0	0
SCBA Acquisition Note	4.75%	0	40,000	0	40,000	7,275
Snow Plow Acquisition Note	5.34%	0	22,000	0	22,000	3,955
Total Long-term Debt		\$115,427	\$62,000	\$62,270	\$115,157	\$64,387

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 10 – Debt (Continued)

	Interest Rate	2005			Balance December 31, 2005	Due Within One Year
		Balance January 1, 2005	Additions	Reductions		
Fire Truck Acquisition Bond	4.15%	\$153,342	0	49,074	104,268	\$51,111
2004 Tractor Note	3.75%	16,450	0	5,291	11,159	5,630
Total Long-term Debt		\$169,792	\$0	\$54,365	\$115,427	\$56,741

The Fire Truck Acquisition bonds are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments. The bond is being paid from the Fire Fund.

In 2006, the Township issued a note to acquire a number of Self-Contained Breathing Apparatus (SCBA) for the Fire Department. This note is payable in five years and will be retired from the Fire Fund.

Also, in 2006, the Township issued a note to acquire a Snow Plow for the Township's roads. The note will be paid in five years from the Road District Levy Fund.

The following is a summary of the Township's future annual debt service requirements:

Year	Total Long-term Debt	
	Principal	Interest
2007	\$64,387	\$5,283
2008	11,786	2,518
2009	12,371	1,933
2010	12,984	1,320
2011	13,629	676
Totals	\$115,157	\$11,730

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2006, were an overall debt margin of \$5,024,067 and an unvoted debt margin of \$2,576,818

Harmony Township
Notes to the Financial Statements
For the Years Ended December 31, 2006 and December 31, 2005

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Harmony Township
Clark County
P.O. Box 212
South Vienna, Ohio 45369

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Harmony Township (the Township), Clark County, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's financial statements, and have issued our report thereon dated July 31, 2007, wherein we noted the Township uses a comprehensive basis of accounting other than generally accepted accounting principles, which we noted the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Statement No.40, *Deposit and Investment Risk Disclosures*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Harmony Township

Clark County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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Compliance and Other Matters

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 grant agreements, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Caudill & Associates, CPAs

Caudill & Associates, CPAs

July 31, 2007



Mary Taylor, CPA
Auditor of State

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
OCTOBER 4, 2007**