

HARMONY TOWNSHIP  
MORROW COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2008 and 2007





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Harmony Township  
2324 CR 170  
Marengo, Ohio 43334

We have reviewed the *Independent Accountant's Report* of Harmony Township, Morrow County, prepared by Van Krevel and Company, CPA's, for the audit period January 1, 2007 through December 31, 2008. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

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

Mary Taylor, CPA  
Auditor of State

December 18, 2009

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Harmony Township  
Morrow County, Ohio

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INDEPENDENT ACCOUNTANT'S REPORT

Harmony Township
Morrow County, Ohio
2324 County Road 170
Marengo, Ohio 43334-9781

To the Board of Trustees:

We have audited the accompanying financial statements of Harmony Township, Morrow County, Ohio, (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require, Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harmony Township, Morrow County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



Van Krevel & Company  
Dublin, Ohio

September 14, 2009

Harmony Township  
Morrow County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2008

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 67,441	\$ 74,999		\$ 142,440
Intergovernmental Receipts	61,982	109,682	132,346	304,010
Earnings on Investments	128	174		302
Miscellaneous	190			190
Total Cash Receipts	<u>129,741</u>	<u>184,855</u>	<u>132,346</u>	<u>446,942</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	56,464	3,381		59,845
Public Safety		63,328		63,328
Public Works	26,182	134,368	132,346	292,896
Health	5,322			5,322
Debt Service:				
Principal Payments	4,661			4,661
Interest Payments	1,342			1,342
Capital Outlay	25,805	1,993		27,798
Total Cash Disbursements	<u>119,776</u>	<u>203,070</u>	<u>132,346</u>	<u>455,192</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>9,965</u>	<u>(18,215)</u>	<u>-</u>	<u>(8,250)</u>
Fund Cash Balances, January 1	<u>64,196</u>	<u>151,314</u>		<u>215,510</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 74,161</b></u>	<u><b>\$ 133,099</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 207,260</b></u>



Harmony Township  
Morrow County, Ohio  
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
All Governmental Fund Types  
For the Year Ended December 31, 2007

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$ 65,619	\$ 73,569		\$ 139,188
Intergovernmental Receipts	19,725	101,880		121,605
Earnings on Investments	356	411		767
Miscellaneous	175			175
Total Cash Receipts	<u>85,875</u>	<u>175,860</u>	<u>-</u>	<u>261,735</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	51,894	2,828		54,722
Public Safety		61,130		61,130
Public Works	151	101,315		101,466
Health	665			665
Capital Outlay	43,344		25,958	69,302
Total Cash Disbursements	<u>96,054</u>	<u>165,273</u>	<u>25,958</u>	<u>287,285</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(10,179)</u>	<u>10,587</u>	<u>(25,958)</u>	<u>(25,550)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes			25,958	25,958
<b>Total Other Financing Receipts (Disbursements)</b>	<u>-</u>	<u>-</u>	<u>25,958</u>	<u>25,958</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,179)	10,587	-	408
Fund Cash Balances, January 1	<u>74,375</u>	<u>140,727</u>		<u>215,102</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 64,196</b></u>	<u><b>\$ 151,314</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 215,510</b></u>

Harmony Township  
Morrow County, Ohio

Notes to the Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Harmony Township, Morrow County, (the Township) as a body corporate and politic. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and fire protection. The Township contracts with the Big Walnut Joint Fire District to provide fire protection services.

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

**B Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Harmony Township  
Morrow County, Ohio

Notes to the Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D Fund Accounting**

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

1 General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2 Special Revenue Funds

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

*Gasoline Tax Fund* – This fund receives gasoline tax monies to pay for constructing, maintaining and repairing Township roads.

*Road and Bridge Fund* – This fund receives property tax monies to pay for constructing, maintaining and repairing Township roads and bridges.

*Fire District Fund* – This fund receives property tax monies to pay for a fire contract with the Big Walnut Joint Fire District.

3 Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund.

*OPWC Fund* – This fund accounts for grant monies received and expended on behalf of the Township by the Ohio Public Works Commission to repair and maintain roads within the Township.

Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E Budgetary Process**

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

1 Appropriations

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

2 Estimated Resources

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

3 Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of the 2008 and 2007 budgetary activity appears in Note 3.

**F Property, Plant and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**F Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2008</u>	<u>2007</u>
Demand Deposits	<u>\$207,260</u>	<u>\$215,510</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**NOTE 3 BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2008, follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 120,386	\$ 129,741	\$ 9,355
Special Revenue	171,611	184,855	13,244
Capital Projects	141,786	132,346	(9,440)
Totals	\$ 433,783	\$ 446,942	\$ 13,159

Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 3 BUDGETARY ACTIVITY** (continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 184,395	\$ 119,776	\$ 64,619
Special Revenue	313,528	203,070	110,458
Capital Projects	141,786	132,346	9,440
Totals	\$ 639,709	\$ 455,192	\$ 184,517

Budgetary activity for the year ending December 31, 2007, follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,247	\$ 85,875	\$ 16,628
Special Revenue	128,893	175,860	46,967
Capital Projects	25,958	25,958	-
Totals	\$ 224,098	\$ 287,693	\$ 63,595

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 138,853	\$ 96,054	\$ 42,799
Special Revenue	279,341	165,273	114,068
Capital Projects	25,958	25,958	-
Totals	\$ 444,152	\$ 287,285	\$ 156,867

Contrary to Ohio Law, appropriations exceeded estimated total resources in the General Fund and Fire District Fund by \$2,641 and \$8,913, respectively for the year ended December 31, 2008. Also, contrary to Ohio law, at December 31, 2008, the Fire District Fund had a cash deficit balance of \$4,190. Contrary to Ohio law, appropriations exceeded estimated total resources in the Fire District Fund by \$20,372 for the year ended December 31, 2007. Also, contrary to Ohio law, at December 31, 2007, the Fire District Fund had a cash deficit balance of \$2,042.

Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 4 PROPERTY TAXES**

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

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

Public utilities are also taxed on personal and real property located within the Township.

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

**NOTE 5 RETIREMENT SYSTEM**

The Township's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10.0% and 9.5%, respectively, of their gross salaries. The Township contributed an amount equal to 14.0% and 13.85% of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**NOTE 6 RISK MANAGEMENT**

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

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

Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 7 RISK MANAGEMENT** (continued)

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

Casualty Coverage

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. 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. Governments 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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006 or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.



Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 6 RISK MANAGEMENT** (continued)

Property Coverage (continued)

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

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

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The net assets above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,036. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Harmony Township  
Morrow County, Ohio

Notes to Financial Statements  
December 31, 2008 and 2007

**NOTE 6 RISK MANAGEMENT** (continued)

Financial Position (continued)

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

<u>Year</u>	<u>Contribution</u>
2008	\$4,018
2007	3,593
2006	5,118

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

**NOTE 7 DEBT**

Debt outstanding at December 31, 2008, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2007 Tractor Note	\$21,297	4.91%

The Township issued general obligation notes to finance the purchase of a new tractor, mower and loader in 2007. The Township's taxing authority collateralized all of the debt.

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

Year Ending December 31, 2009	\$ 6,003
Year Ending December 31, 2010	6,003
Year Ending December 31, 2011	6,003
Year Ending December 31, 2012	<u>6,003</u>
	<u>\$24,012</u>

**INDEPENDENT ACCOUNTANT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Harmony Township  
Morrow County, Ohio  
2354 County Road 170  
Marengo, Ohio 43334-9781

To the Board of Trustees:

We have audited the financial statements of Harmony Township, Morrow County, Ohio, (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated September 14, 2009, wherein we noted that the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States’ *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township’s internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies: 2008-001, 2008-002, and 2008-004.

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Harmony Township  
Morrow County, Ohio  
Independent Accountant's Report on Internal Control over  
Financial Reporting and on Compliance with Other Matters  
Required by *Government Auditing Standard*

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2008-001 and 2008-002 are also material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as 2008-003 and 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 14, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Van Krevel & Company  
Dublin, Ohio

September 14, 2009

Harmony Township  
Morrow County

Schedule of Findings  
December 31, 2008 and 2007

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS**

**Finding Number 2008-001**

Significant Deficiency/Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements

During 2008 and 2007, Township receipts and disbursements were not always posted into accurate receipt and expenditure classifications, based upon the source.

In 2008, the Township posted:

Real Estate Tax monies received from the Morrow County Auditor totaling \$63,165 to “Intergovernmental” instead of “Property Taxes” within the General Fund and the Road and Bridge and Fire District Funds.

All tax collection fees to the General Fund instead of allocating among the funds receiving the tax monies. This resulted in the following fund adjustments:

	<u>Increase/(Decrease)</u>
Road and Bridge Fund	\$ (917.92)
Fire District Fund	(2,462.98)
General Fund	3,380.61

In 2007, the Township posted:

All tax collection fees to the General Fund instead of allocating among the funds receiving the tax monies. This resulted in the following fund adjustments:

	<u>Increase/(Decrease)</u>
Road and Bridge Fund	\$ (786.75)
Fire District Fund	(2,041.56)
General Fund	2,828.31

Harmony Township  
Morrow County

Schedule of Findings  
December 31, 2008 and 2007

**Findings Related to the Financial Statements**  
**Required to be Reported in Accordance with GAGAS** (continued)

**Finding Number 2008-001** (continued)

Significant Deficiency/Material Weakness (continued)

Posting receipts and disbursements to improper classifications results in inaccurate financial information being presented to the Township Trustees. The accompanying financial statements have been adjusted to reflect these transactions.

The Ohio Township Handbook (revised April, 2009) provides suggested account classifications. These accounts classify receipts by fund and sources and classify disbursements by fund, program or object. Using these classifications will provide the Township with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

**Officials' Response:** The Fiscal Officer will review the revenue and expenditure account classifications in The Ohio Township Handbook and post future receipts and disbursements to the appropriate account.

Harmony Township  
Morrow County

Schedule of Findings  
December 31, 2008 and 2007

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

**Finding Number 2008-002**

Significant Deficiency/Material Weakness

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

In 2008, the Township Fiscal Officer did not post all amendments of budgeted receipts to the accounting system. Variances existed between the final amendment certificate of estimates resources and the amounts posted to the accounting system. The following table details these variances.

<u>Fund</u>	<u>Amount per Last Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
General	\$120,386	\$88,576	\$31,810
Motor Vehicle	8,722	8,726	4
Gasoline Tax	75,179	75,529	(350)
Road and Bridge	29,660	24,495	5,165

Because the information entered into the accounting system was inaccurate, Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

We recommend that the Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and all amendments thereto.

**Officials Response:** The Fiscal Officer explained to the Board that this was an oversight and would ensure that future filings would be completed during the year if needed, and necessary at the year end.

Harmony Township  
Morrow County

Schedule of Findings  
December 31, 2008 and 2007

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

**Finding Number 2008-003**

Non-Compliance

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated revenue available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also states that no appropriation measure shall become effective until the county auditor files with the taxing authority a certificate that total appropriations from each fund does not exceed the total estimated revenue.

At December 31, 2008, total appropriations exceeded total estimated resources as follows:

	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$181,754	\$184,395	\$(2,641)
Fire District	54,415	63,328	(8,913)

At December 31, 2007, total appropriations exceeded total estimated resources as follows:

<u>Special Revenue Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Fire District Fund	\$40,758	\$61,130	\$(20,372)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash fund balances. The Fiscal Officer should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the Township should request an amended certificate of estimated resources from the budget commission. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

**Officials' Response:** The Fiscal Officer explained to the Board that this was an oversight and would ensure that future filings would be completed during the year if needed, and necessary at the year end.



Harmony Township  
Morrow County

Schedule of Findings  
December 31, 2008 and 2007

**Findings Related to the Financial Statements  
Required to be Reported in Accordance with GAGAS (continued)**

**Finding Number 2008-004**

Non-Compliance/Significant Deficiency

Collection Fees and Transfers/Advances

Gross taxes and collection fees should be recorded in the financial statements as it is reported on the settlement sheets received from the County Auditor's Office in order to properly reflect the gross taxes and the cost of collecting the taxes (the fees). If a Township wants to reimburse a fund for the cost of the fees with General Fund monies, they may transfer money from the General Fund following the requirements of Ohio Revised Code Section 5705.14 through 5705.16.

In 2008 and 2007, the General Fund reported collection fees attributable to the Road and Bridge Fund of \$917.92 and \$786.75, respectively. Additionally, in 2008 and 2007, the General Fund reported collection fees attributable to the Fire District Fund of \$2,462.69 and \$2,041.56, respectively. Adjustments have been made to the financial statements to reclassify these expenditures to the proper fund.

In 2008 and 2007, the Township disbursed all tax monies levied and collected for the Fire District to Big Walnut Joint Fire District. The amounts disbursed to the Fire District Fund were in amounts equal to the gross taxes collected from the County Auditor. After posting the adjustments in the preceding paragraph, the result was to record a deficit cash balance of \$4,189.82 and \$2,041.56 at December 31, 2008 and 2007, respectively. These deficits were discussed with the Township Fiscal Officer. We understand the Board is taking steps to obtain reimbursement of this overpayment from Big Walnut Fire District.

Since it is the intention of the Board of Trustees to obtain reimbursement of the collection fees from the Big Walnut Joint Fire District, the Township should have reported inter-fund advances. Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions. No adjustments were made to the financial statements to record any advances at December 31, 2008 and 2007.

In the future, we recommend that the Fiscal Officer deduct the collection fees from the funds stated in the settlement statements and that the disbursements to the Big Walnut Joint Fire District reflect the tax monies collected, net of the fees to collect the taxes.

**Officials' Response:** The Fiscal Officer has contacted the Big Walnut Fire District and requested a refund for 2007 and 2008. This entity has agreed to reimbursement to the Township.

Harmony Township  
Morrow County

Schedule of Prior Findings  
December 31, 2008 and 2007

<u>Finding</u>	<u>Description</u>	<u>Fully Corrected</u>
2006-001	Posting Estimated Receipts	No; Reissued as Finding 2008-002



**Mary Taylor, CPA**  
Auditor of State

**HARMONY TOWNSHIP**

**MORROW 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  
JANUARY 5, 2010**