



Dave Yost • Auditor of State

**HARMONY TOWNSHIP
MORROW COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 9, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

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, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides 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 require 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 requires 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.

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, 2010 and 2009 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, 2010 and 2009, 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, 2010 and 2009, 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 9, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

September 9, 2011

**HARMONY TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$70,515.22	\$77,447.91	\$147,963.13
Intergovernmental	25,599.02	112,967.30	138,566.32
Earnings on Investments	58.93	94.75	153.68
Miscellaneous	100.00	0.00	100.00
	<u>96,273.17</u>	<u>190,509.96</u>	<u>286,783.13</u>
Cash Disbursements:			
Current:			
General Government	71,889.51	2,335.37	74,224.88
Public Safety	0.00	63,646.77	63,646.77
Public Works	9,116.96	122,683.37	131,800.33
Health	1,217.09	0.00	1,217.09
Capital Outlay	50,043.63	21,252.00	71,295.63
Debt Service:			
Redemption of Principal	16,103.57	0.00	16,103.57
Interest and Other Fiscal Charges	1,361.46	0.00	1,361.46
	<u>149,732.22</u>	<u>209,917.51</u>	<u>359,649.73</u>
Total Receipts Under Disbursements	<u>(53,459.05)</u>	<u>(19,407.55)</u>	<u>(72,866.60)</u>
Other Financing Receipts:			
Other Debt Proceeds	0.00	50,000.00	50,000.00
	<u>0.00</u>	<u>50,000.00</u>	<u>50,000.00</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(53,459.05)	30,592.45	(22,866.60)
Fund Cash Balance, January 1	<u>75,241.24</u>	<u>130,176.83</u>	<u>205,418.07</u>
Fund Cash Balance, December 31	<u><u>\$21,782.19</u></u>	<u><u>\$160,769.28</u></u>	<u><u>\$182,551.47</u></u>

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

**HARMONY TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$70,231.41	\$76,877.76	\$0.00	\$147,109.17
Intergovernmental	31,331.63	110,921.93	9,439.73	151,693.29
Earnings on Investments	190.96	186.10	0.00	377.06
Miscellaneous	1,354.00	4,700.00	0.00	6,054.00
Total Cash Receipts	103,108.00	192,685.79	9,439.73	305,233.52
Cash Disbursements:				
Current:				
General Government	75,780.97	2,260.08	0.00	78,041.05
Public Safety	0.00	64,246.37	0.00	64,246.37
Public Works	10,651.59	120,122.04	9,439.73	140,213.36
Health	4,466.76	0.00	0.00	4,466.76
Capital Outlay	5,392.25	8,979.00	0.00	14,371.25
Debt Service:				
Redemption of Principal	4,661.27	0.00	0.00	4,661.27
Interest and Other Fiscal Charges	1,341.80	0.00	0.00	1,341.80
Total Cash Disbursements	102,294.64	195,607.49	9,439.73	307,341.86
Total Receipts Over/(Under) Disbursements	813.36	(2,921.70)	0.00	(2,108.34)
Other Financing Receipts:				
Other Financing Sources	266.50	0.00	0.00	266.50
Total Other Financing Receipts	266.50	0.00	0.00	266.50
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	1,079.86	(2,921.70)	0.00	(1,841.84)
Fund Cash Balance, January 1	74,161.38	133,098.53	0.00	207,259.91
Fund Cash Balance, December 31	\$75,241.24	\$130,176.83	\$0.00	\$205,418.07

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

**HARMONY TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection. The Township contracts with Big Walnut Joint Fire District to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Ohio Township Association Risk Management Authority (OTARMA) is a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members.

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.

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.

**HARMONY TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for 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 money to pay for construction, maintaining, and repairing Township roads.

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

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project fund:

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

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**HARMONY TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

2. Equity in Pooled Deposits and Investments

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

	2010	2009
Demand deposits	\$182,551	\$205,418

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$95,225	\$96,273	\$1,048
Special Revenue	176,170	240,510	64,340
Total	\$271,395	\$336,783	\$65,388

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,137	\$149,732	\$2,405
Special Revenue	226,661	209,918	16,743
Total	\$378,798	\$359,650	\$19,148

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$97,515	\$103,375	\$5,860
Special Revenue	193,273	192,686	(587)
Capital Projects	9,440	9,440	0
Total	\$300,228	\$305,501	\$5,273

**HARMONY TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$168,115	\$102,295	\$65,820
Special Revenue	274,232	195,608	78,624
Capital Projects	9,440	9,440	0
Total	\$451,787	\$307,343	\$144,444

4. Property Tax

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.

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

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

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

5. Debt

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Township Garage	\$50,000	3.95%

On December 7, 2010, the Township entered into a loan to finance the finishing of the new Township Equipment Garage. The loan was issued in the sum of \$50,000 with an interest rate of 3.95% to be paid in annual installments of \$8,125.47 over 7 years. The Township's taxing authority collateralized the debt.

**HARMONY TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	2010 Township Garage
2011	\$8,125
2012	8,125
2013	8,125
2014	8,125
2015	8,125
2016-2020	16,250
Total	<u>\$56,875</u>

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. This was paid off in full on October 31, 2010.

6. Retirement Systems

The Township's employees 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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

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

**HARMONY TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$2,600.

Based on discussions with OTARMA, the expected rates OTARMA charges 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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$3,424	\$4,025

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.



Dave Yost • Auditor of State

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

Harmony Township
Morrow County
2324 County Road 170
Marengo, OH 43334

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, 2010 and 2009, and have issued our report thereon dated September 9, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001 and 2010-002 described in the accompanying schedule of findings to be 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 audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 9, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

September 9, 2011

**HARMONY TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

**Material Weakness/Noncompliance
Allocation of Trustee Compensation**

Ohio Rev. Code Section 505.24(C) sets forth the method by which township trustees' compensation should be allocated. This section states that the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid only from the township general fund or from funds in proportions as the board may specify by resolution.

In addition, 2004 Op. Atty' Gen. No. 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered if the salaries are going to be charged to funds other than the township general fund. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds.

The Township was notified of this requirement in the management letter dated September 14, 2009.

In 2010 and 2009 a portion of the Township Trustees' salaries was paid from the Gasoline Tax Fund in the amount of \$16,301 each year. However, records were not maintained to support the salary allocation to the Gasoline Tax fund. As a result, adjustments were made to the Township's accounting records and the accompanying financial statements to report the above expenditures in the Township's General Fund.

We recommend the Township adopt formal administrative procedures in regards to documenting the time spent by Trustees on various duties and the funds to which each task should be charged so that their salaries may be allocated to the Township's funds according to the portion of time spent on related matters. The documentation of time spent should be turned in to the Fiscal Officer in a timely manner each month so that salaries and fringe benefits can be allocated properly to the Township funds.

FINDING NUMBER 2010-002

**Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the December 31, 2009 financial statements and accounting records:

1. Adjustment of \$6,209 to the General Fund to increase fund balance to account for audit adjustments identified in the prior year audit that were not made by client
2. Adjustment of \$5,130 to the General Fund to reverse the advance in.

**HARMONY TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-002 (Continued)

**Material Weakness
Financial Reporting (Continued)**

3. Adjustment of \$4,505 to the Fire District Fund to decrease fund balance to account for audit adjustments identified in the prior year audit that were not made by client
4. Adjustment of \$5,130 to the Fire District Fund to reverse the advance in.
5. Adjustment of \$1,704 to the Road & Bridge Fund to decrease fund balance to account for audit adjustments identified in the prior year audit that were not made by client
6. Adjustment of \$1,216 to the General Fund to increase the General Government expenditure line item to correct the misposting of Tax Collection Fees and Advertising of which \$940 was inadvertently posted to the Fire District Fund and \$276 was inadvertently posted to the Road and Bridge Fund.
7. Adjustment of \$301 to the Fire District Fund to increase Property Tax receipts to correct the misposting of Real Estate taxes that were inadvertently posted to the Road & Bridge Fund

The following reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2009 financial statements:

1. Reclassification of \$405 in the General Fund for non-payroll expenditures to move from Capital Outlay to General Government Expenditures
2. Reclassification of \$282 in the General Fund for debt expenditures to move from Interest & Fiscal Charges to Principal Retirement

The following reclassifications were made to the December 31, 2010 financial statements:

1. Reclassification of \$12,500 in the Road and Bridge Fund of Township Garage Loan Proceeds from Other Financing Sources to Other Debt Proceeds
2. Reclassification of \$30,000 in the Gasoline Tax Fund of Township Garage Loan Proceeds from Other Financing Sources to Other Debt Proceeds
3. Reclassification of \$7,500 in the Motor Vehicle License Tax Fund of Township Garage Loan Proceeds from Other Financing Sources to Other Debt Proceeds

The following reclassification was inconsequential to the overall financial statements of the Township and was not posted to the December 31, 2010 financial statements:

1. Reclassification of \$243 in the General Fund of debt expenditures from Interest & Fiscal Charges to Principal Retirement

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer and Board of Trustees to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the Township should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Township's activity.

Officials' Response: We did not receive any responses from the officials to the findings reported above.

**HARMONY TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Financial Reporting	No	Not Corrected—Reissued as Finding 2010-002
2008-002	Budgetary Posting (UAN vs. Budget Commission)	No	Not Corrected—Reissued in Management Letter
2008-003	Appropriations Exceeding Total Estimated Resources	Yes	
2008-004	Collection Fees and Transfers/Advances	Yes	

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Dave Yost • 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
NOVEMBER 29, 2011