

**HARMONY TOWNSHIP  
MORROW COUNTY**

**AUDIT REPORT**

**JANUARY 1, 2017 – DECEMBER 31, 2018**

**Wilson, Phillips & Agin, CPA's, Inc.  
1100 Brandywine Blvd. Building G  
Zanesville, Ohio 43701**



OHIO AUDITOR OF STATE  
KEITH FABER



88 East Broad Street  
Columbus, Ohio 43215  
IPAReport@ohioauditor.gov  
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of Harmony Township, Morrow County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 18, 2019

**This page intentionally left blank.**

**HARMONY TOWNSHIP  
MORROW COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditors' Report	1
Management Discussion and Analysis	3
<b>Government-wide Financial Statements:</b>	
Statement of Net Position Year Ended December 31, 2018	9
Statement of Activities Year Ended December 31, 2018	10
<b>Fund Financial Statements:</b>	
<b>Governmental Funds</b>	
Statement of Cash Basis Assets and Fund Balances, Year Ended December 31, 2018	11
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balance Year Ended December 31, 2018	12
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) – General Fund, Year Ended December 31, 2018	13
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) – Gasoline Tax Fund, Year Ended December 31, 2018	14
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) – Fire District Fund, Year Ended December 31, 2018	15
2018 Notes to Financial Statements	16
<b>Government-wide Financial Statements:</b>	
Statement of Net Position Year Ended December 31, 2017	30
Statement of Activities Year Ended December 31, 2017	31
<b>Fund Financial Statements:</b>	
<b>Governmental Funds</b>	
Statement of Cash Basis Assets and Fund Balances, Year Ended December 31, 2017	32
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balance Year Ended December 31, 2017	33
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) – General Fund, Year Ended December 31, 2017	34
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) – Gasoline Tax Fund, Year Ended December 31, 2017	35
Statement of Cash Receipts, Disbursements and Changes in Fund Cash Balances- Budget and Actual (Non-GAAP Budgetary Basis) – Fire District Fund, Year Ended December 31, 2017	36
2017 Notes to Financial Statements	37
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards	53
Schedule of Findings	55
Schedule of Prior of Audit Findings	58

**This page intentionally left blank.**

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Harmony Township  
Morrow County  
2324 CR 170  
Marengo, Ohio 43334

To the Board of Trustees:

***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, major funds and aggregate remaining fund information of Harmony Township, Morrow County as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements, which collectively comprised the Township's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about the financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of Harmony Township, Morrow County, as of December 31, 2018 and 2017, and the respective changes in cash financial positions and the respective budgetary comparisons for the General Fund, Gasoline Tax Fund, and Fire District Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

***Supplemental and Other Information***

We applied no procedures to the Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2019, on our consideration of Harmony 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 25, 2019



**HARMONY TOWNSHIP, MORROW COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
UNAUDITED**

This discussion and analysis of the Harmony Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2018 and 2017, within the limitations of the Township's cash basis accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2018 and 2017 are as follows:

Net position of governmental activities decreased by \$62,137 or 37 percent in 2018, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which was due to the expenditures exceeding receipts.

Net position of governmental activities decreased by \$35,734 or 18 percent in 2017, an insignificant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which was due to the expenditures exceeding receipts.

The Township's general receipts are primarily Real Estate/Property Taxes and Gasoline Tax for governmental activities for the year. These receipts represent 52 and 27 percent, respectively, of the total cash received for governmental activities for 2018. These receipts represent 53 and 25 percent, respectively, of the total cash received for governmental activities for 2017. Property tax and gasoline tax receipts for 2018 and 2017 had insignificant changes from prior years as development within the Township has slowed.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

**Report Components**

The statement of net position and statement of activities provide information about the cash activities of the Township as a whole. The statement of cash basis assets and fund balances, and the statement of cash receipts, disbursements and changes in fund cash balances, present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic 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.

**HARMONY TOWNSHIP, MORROW COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
UNAUDITED**

**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 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 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 Government as a Whole**

The statements of net position and statements of activity for 2018 and 2017 reflect how the Township did financially within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the programs services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's tax base, 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 real estate taxes.

In the statement of net position and the statement of activities, we divide the government into governmental activities. All of the Township's basic services are reported here, including road maintenance. Real estate 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 Government'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.

**HARMONY TOWNSHIP, MORROW COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
UNAUDITED**

**Governmental Funds** - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds for 2018 and 2017 were the General Fund, Gasoline Tax Fund, and the Fire District Fund. The programs reported in governmental funds are related to those reported in the governmental activities section of the entity-wide statements. There are no reconciliations between the two reports as the township reports on the cash basis.

**The Government as a Whole**

Table 1 provides a summary of the Township's net position for 2018 with comparison to 2017.

Table 1  
NET POSITION

	Governmental Activities	
	2018	2017
Assets		
Cash	\$ 106,590	\$ 167,764
Total Assets	106,590	167,764
Net Position		
Restricted for:		
Other Purposes	74,958	104,537
Unrestricted	31,632	63,227
Total Net Position	\$ 106,590	\$ 167,764

**HARMONY TOWNSHIP, MORROW COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
UNAUDITED**

Table 2 reflects the changes in net position in 2018 with comparison to 2017.

Table 2  
CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
Receipts:		
Program Receipts:		
Operating Grants	\$ 108,942	\$ 108,003
Total Program Receipts	108,942	108,003
General Receipts:		
Property and Other Tax Grants and Entitlements not Restricted	196,551	198,393
Earnings on Investments	10	15
Miscellaneous	3,395	22,381
Total General Receipts	219,935	240,768
Total Receipts	328,877	348,771
Disbursements:		
General Government	65,822	66,963
Public Safety	72,903	73,325
Public Works	212,129	223,848
Health	2,805	4,217
Capital Outlay	30,804	3,160
Debt Service:		
Principal Retirement	6,277	11,968
Interest and Fiscal Charges	274	1,024
Total Disbursements	391,014	384,505
Increase/(Decrease) In Net Position	(62,137)	(35,734)
Net Position, January 1, Restated	168,727	203,498
Net Position, December 31	\$ 106,590	\$ 167,764

Program receipts represent 33% and 31% of total receipts for 2018 and 2017, respectively. They are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 67%, and 69% of the Township's total receipts for 2018 and 2017 respectively. Local taxes represent 89%, and 82% of the general receipts. Grants and entitlements make up the balance of general receipts. Other receipts are insignificant and somewhat unpredictable receipt sources.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities.

**HARMONY TOWNSHIP, MORROW COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
UNAUDITED**

**Township Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by Harmony Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Works, Public Safety, and General Government which account for 54%, 19%, and 17% in 2018 and 58%, 19%, and 17% in 2017 of all governmental disbursements. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of service and the net cost for 2018 and 2017 is presented in Table 3.

TABLE 3

	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
General Government	\$ 65,822	\$ 65,822	\$ 66,963	\$ 66,963
Public Safety	72,903	72,903	73,325	73,325
Public Works	212,129	103,187	223,848	115,846
Health	2,805	2,805	4,217	4,217
Other	-	-	-	(1)
Capital Outlay	30,804	30,804	3,160	3,160
Debt Service:				
Principal Retirement	6,277	6,277	11,968	11,968
Interest	274	274	1,024	1,024
Total Expenses	<u>\$ 391,014</u>	<u>\$ 282,072</u>	<u>\$ 384,505</u>	<u>\$ 276,502</u>

The dependence upon property and tax receipts is apparent as a majority of governmental activities are supported through these general receipts.

**The Government's Funds**

Total governmental funds had receipts of \$328,877 and \$354,712 for 2018 and 2017 and disbursements of \$391,014 and \$390,446 for 2018 and 2017, respectively.

**HARMONY TOWNSHIP, MORROW COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017  
UNAUDITED**

**Fund Budgeting Highlights**

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

During 2018 and 2017, the Township made amendments to its appropriation budget to reflect changing circumstances. For 2018, actual receipts were less than budgeted receipts and for 2017, actual receipts were more than budgeted receipts.

Final budgeted disbursements for 2018 and 2017 were \$178,875 and \$189,077, respectively. Actual disbursements for 2018 and 2017 were \$143,945 and \$145,524, respectively. The Township kept spending significantly lower than budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

**Debt**

The Township had no debt outstanding as of December 31, 2018.

**Current Issues**

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

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to John Pennington, Fiscal Officer, 2324 CR 170, Marengo, Ohio 43334.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF NET POSITION-CASH BASIS  
December 31, 2018**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 106,590</u>
<b>Total Assets</b>	<u>\$ 106,590</u>
<b>NET POSITION:</b>	
Restricted for:	
Other Purposes	\$ 74,958
Unrestricted	<u>31,632</u>
<b>Total Net Position</b>	<u><u>\$ 106,590</u></u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<b>Cash</b>	<b>Charges for</b>	<b>Operating</b>	<b>Capital Grants</b>	<b>Net</b>
	<b>Disbursements</b>	<b>Services</b>	<b>Grants and</b>	<b>and</b>	<b>(Disbursements)</b>
		<b>and Sales</b>	<b>Contributions</b>	<b>Contributions</b>	<b>Receipts and</b>
					<b>Changes in</b>
					<b>Net Assets</b>
<b>Governmental Activities:</b>					
General Government	\$ 65,822	\$ -	\$ -	\$ -	\$ (65,822)
Public Safety	72,903	-	-	-	(72,903)
Public Works	212,129	-	108,942	-	(103,187)
Health	2,805	-	-	-	(2,805)
Capital Outlay	30,804	-	-	-	(30,804)
Debt Service:					
Principal Retirement	6,277	-	-	-	(6,277)
Interest and Fiscal Charges	274	-	-	-	(274)
	<u>\$ 391,014</u>	<u>\$ -</u>	<u>\$ 108,942</u>	<u>\$ -</u>	<u>\$ (282,072)</u>
<b>Total Governmental Activities</b>					

**General Receipts:**

Property Taxes Levied for:	
General Purposes	196,551
Grants and Entitlements not	
Restricted to Specific Programs	19,979
Earnings on Investment	10
Miscellaneous	3,395
	<u>219,935</u>
Total General Receipts	
	<u>219,935</u>
Change in Net Position	(62,137)
<b>Net Position Beginning of Year, Restated</b>	<u>168,727</u>
<b>Net Position End of Year</b>	<u>\$ 106,590</u>

See notes to the basic financial statements.



**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2018**

	<b>General</b>	<b>Gasoline Tax</b>	<b>Fire District</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 31,632	\$ 68,691	\$ 58	\$ 6,209	\$ 106,590
<b>Total Assets</b>	<b>\$ 31,632</b>	<b>\$ 68,691</b>	<b>\$ 58</b>	<b>\$ 6,209</b>	<b>\$ 106,590</b>
<b>Fund Balances:</b>					
Restricted	-	68,691	58	6,209	74,958
Unassigned	31,632	-	-	-	31,632
<b>Total Fund Balances</b>	<b>\$ 31,632</b>	<b>\$ 68,691</b>	<b>\$ 58</b>	<b>\$ 6,209</b>	<b>\$ 106,590</b>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2018**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS</b>					
Property and Other Local Taxes	\$ 82,734	\$ -	\$ 63,053	\$ 24,332	\$ 170,119
Intergovernmental	32,947	89,727	9,650	23,029	155,353
Earnings on Investments	6	10	-	-	16
Miscellaneous	2,667	-	-	722	3,389
<b>Total Receipts</b>	<u>118,354</u>	<u>89,737</u>	<u>72,703</u>	<u>48,083</u>	<u>328,877</u>
<b>CASH DISBURSEMENTS:</b>					
Current:					
General Government	62,148	761	1,846	1,067	65,822
Public Safety	1,864	-	70,799	240	72,903
Public Works	64,180	95,581	-	52,438	212,199
Health	2,805	-	-	-	2,805
Capital Outlay	10,622	11,121	-	9,061	30,804
Debt Service					
Principal Retirement	2,256	3,395	-	626	6,277
Interest and Fiscal Charges	70	110	-	24	204
<b>Total Disbursements</b>	<u>143,945</u>	<u>110,968</u>	<u>72,645</u>	<u>63,456</u>	<u>391,014</u>
<b>Net Change in Fund Cash Balance</b>	(25,591)	(21,231)	58	(15,373)	(62,137)
<b>Cash Fund Balances Beginning of Year, Restated</b>	<u>57,223</u>	<u>89,922</u>	<u>-</u>	<u>21,582</u>	<u>168,727</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 31,632</u>	<u>\$ 68,691</u>	<u>\$ 58</u>	<u>\$ 6,209</u>	<u>\$ 106,590</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 116,000	\$ 116,000	\$ 82,734	\$ (33,266)
Intergovernmental	21,690	21,690	32,947	11,257
Earnings on Investments	10	10	6	(4)
Miscellaneous	800	800	2,667	1,867
<b>Total Receipts</b>	<u>138,500</u>	<u>138,500</u>	<u>118,354</u>	<u>(20,146)</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	67,787	78,568	62,148	16,420
Public Safety	1,900	1,900	1,864	36
Public Works	68,500	80,535	64,180	16,355
Health	4,750	4,750	2,805	1,945
Capital Outlay	2,000	10,622	10,622	-
Debt Service:				
Principal Retirement	2,000	2,000	2,256	(256)
Interest and Fiscal Charges	500	500	70	430
<b>Total Disbursements</b>	<u>147,437</u>	<u>178,875</u>	<u>143,945</u>	<u>34,930</u>
<b>Net Change in Fund Balance</b>	(8,937)	(40,375)	(25,591)	14,784
<b>Cash Fund Balances Beginning of Year</b>	<u>57,223</u>	<u>57,223</u>	<u>57,223</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 48,286</u>	<u>\$ 16,848</u>	<u>\$ 31,632</u>	<u>\$ 14,784</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CASH RECEIPTS</b>				
Intergovernmental	\$ 88,987	\$ 88,987	\$ 89,727	\$ 740
Earnings on Investments	13	13	10	(3)
Miscellaneous	-	725	-	(725)
<b>Total Receipts</b>	<u>89,000</u>	<u>89,725</u>	<u>89,737</u>	<u>12</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	1,265	1,265	761	504
Public Works	101,475	121,240	95,581	25,659
Capital Outlay	-	11,121	11,121	-
Debt Service:				
Principal Retirement	2,000	2,000	3,395	(1,395)
Interest and Fiscal Charges	500	500	110	390
<b>Total Disbursements</b>	<u>105,240</u>	<u>136,126</u>	<u>110,968</u>	<u>25,158</u>
<b>Net Change in Fund Balance</b>	(16,240)	(46,401)	(21,231)	25,170
<b>Cash Fund Balances Beginning of Year</b>	<u>89,922</u>	<u>89,922</u>	<u>89,922</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 73,682</u>	<u>\$ 43,521</u>	<u>\$ 68,691</u>	<u>\$ 25,170</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 73,300	\$ 73,300	\$ 63,053	\$ (10,247)
Intergovernmental	-	-	9,650	9,650
<b>Total Receipts</b>	<u>73,300</u>	<u>73,300</u>	<u>72,703</u>	<u>(597)</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	1,950	2,330	1,846	484
Public Safety	70,000	76,100	70,799	5,301
<b>Total Disbursements</b>	<u>71,950</u>	<u>78,430</u>	<u>72,645</u>	<u>5,785</u>
<b>Net Change in Cash Fund Balances</b>	1,350	(5,130)	58	5,188
<b>Cash Fund Balances Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 1,350</u>	<u>\$ (5,130)</u>	<u>\$ 58</u>	<u>\$ 5,188</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**1. DESCRIPTION OF THE REPORTING ENTITY**

**Reporting Entity**

The Township of Harmony, Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly elected 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.

**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 road and bridges, cemetery maintenance, and fire services. The Township contracts with the Big Walnut Fire District for fire protection.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this Note, 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the Township's accounting policies.

**Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 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 service. The Township has no business-type activities.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net position presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the programs 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 are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**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 divided into one category: governmental.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

**General Fund** – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Gasoline Tax Fund** – The Gasoline Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**Fire District Fund** – The Fire District Fund accounts for and reports property tax restricted for payment of their fire contract with the Big Walnut Joint Fire District.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. There were no modifications having substantial support.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities (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.

**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 set limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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



**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Investments**

Township records identify the purchase of specific investments by specific funds.

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”.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2018 was \$6.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent monies restricted for use in regards to road maintenance, capital projects and debt service.

**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.

**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.

**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.

**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.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**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 an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**Net Position**

Net position is 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 position restricted for other purposes include resources restricted for debt payments, capital expenditures such as land and land improvements and road maintenance.

The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees removes or change the specified use by taking the same type of action (resolution) it employed to previously commit the amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by ordinance, or by State Statute.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Internal Activity**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 cash disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance. There were no outstanding encumbrances at year-end for 2018.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**4. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligation described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligation of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio).

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**4. DEPOSITS AND INVESTMENTS (Continued)**

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirement have been met; and
8. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Township did not have any undeposited cash on hand for 2018.

**Deposits:**

As of December 31, 2018, the Township had no custodial credit risk.

**Investments:**

As of December 31, 2018, the Township had no investments.

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2018 for real and public utility property taxes represent collections of 2017 taxes.

2018 real property taxes are levied after October 1, 2018, on assessed value at January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**5. PROPERTY TAXES (Continued)**

The full tax rate for all Township operations for the year ended December 31, 2018, was 4.20 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	\$ 53,556,430
Public Utility Personal Property	1,646,170
Total Assessed Value	\$ 55,202,600

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**6. RISK MANAGEMENT**

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2018
Cash and investments	\$33,097,416
Actuarial liabilities	7,874,610

**7. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

Plan Description - The Township, participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan 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 includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in Calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contribution plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipts of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions as follows:



**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2018 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2018 Actual Contribution Rates</b>			
Employer:			
Pension	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township's contractually required contribution was \$6,720 for year 2018.

**8. POSTEMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-e post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2018**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately on the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at a rate at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined are expressed as a percentage of covered payroll. The Township's contractually required contribution was \$1,920.

**9. DEBT**

The Township's debt activity for the year ended December 31, 2018, was as follows:

	Balance January 1 2018	Issued	Retired	Balance December 31 2018	Amount Due Within One Year
Equipment Bonds	\$ 6,277	\$ -	\$ 6,277	\$ -	\$ -
Total	<u>\$ 6,277</u>	<u>\$ -</u>	<u>\$ 6,277</u>	<u>\$ -</u>	<u>\$ -</u>

In 2013, the Township issued \$40,000 in Township Equipment Bonds. The proceeds were used in part to pay off an outstanding equipment garage loan. The bonds carry an interest rate of 3.25% and are being paid in annual installments of \$6,492, including interest over 7 years. The Township paid off this loan early.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**10. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for major governmental funds and all other governmental funds as of December 31, 2018 are presented below:

Fund Balances	General Fund	Gas Tax Fund	Fire District	Other Governmental Funds	Total
<b>Restricted for</b>					
Road & Bridge	\$ -	\$ 68,691	\$ -	\$ 6,209	\$ 74,900
Fire Protection	-	-	58	-	58
Total Restricted	<u>-</u>	<u>68,691</u>	<u>58</u>	<u>6,209</u>	<u>74,958</u>
<b>Unrestricted</b>	<u>31,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,632</u>
Total	<u>\$ 31,632</u>	<u>\$ 68,691</u>	<u>\$ 58</u>	<u>\$ 6,209</u>	<u>106,590</u>

**11. RESTATEMENT OF FUND BALANCE**

Fund balances in the General and Special Revenue Funds have been restated for the year beginning January 1, 2018 as voided checks were added back:

	General	Special Revenue	Total
Fund Balance at December 31, 2017	\$ 56,675	\$ 111,089	\$ 167,764
Adjustments	548	415	963
Fund Balance at January 1, 2018	<u>\$ 57,223</u>	<u>\$ 111,504</u>	<u>\$ 168,727</u>

**12. COMPLIANCE**

Contrary to Ohio Revised Code 5705.41(D), the Township had invoices dated prior to certification.

Contrary to Ohio Revised Code 5705.39, The Township had appropriations greater than estimated resources in the Motor Vehicle License Tax Fund, Road & Bridge Fund, Fire District Fund and Permissive Motor Vehicle License Tax Fund.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF NET POSITION-CASH BASIS  
December 31, 2017**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 167,764</u>
<b>Total Assets</b>	<u>\$ 167,764</u>
<b>NET POSITION:</b>	
Restricted for:	
Other Purposes	\$ 104,537
Unrestricted	<u>63,227</u>
<b>Total Net Position</b>	<u><u>\$ 167,764</u></u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF ACTIVITIES-CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Cash</b>	<b>Charges for</b>	<b>Operating</b>	<b>Capital Grants</b>	<b>Net</b>
	<b>Disbursements</b>	<b>Services</b>	<b>Grants and</b>	<b>and</b>	<b>(Disbursements)</b>
		<b>and Sales</b>	<b>Contributions</b>	<b>Contributions</b>	<b>Receipts and</b>
					<b>Changes in</b>
					<b>Net Assets</b>
<b>Governmental Activities:</b>					
General Government	\$ 66,963	\$ -	\$ -	\$ -	\$ (66,963)
Public Safety	73,325	-	-	-	(73,325)
Public Works	223,848	-	108,002	-	(115,846)
Health	4,217	-	-	-	(4,217)
Other	-	-	1	-	1
Capital Outlay	3,160	-	-	-	(3,160)
Debt Service:					
Principal Retirement	11,968	-	-	-	(11,968)
Interest and Fiscal Charges	1,024	-	-	-	(1,024)
	<u>\$ 384,505</u>	<u>\$ -</u>	<u>\$ 108,003</u>	<u>\$ -</u>	<u>\$ (276,502)</u>
<b>Total Governmental Activities</b>	<u>\$ 384,505</u>	<u>\$ -</u>	<u>\$ 108,003</u>	<u>\$ -</u>	<u>\$ (276,502)</u>

**General Receipts:**

Property Taxes Levied for:

General Purposes 198,393

Grants and Entitlements not  
    Restricted to Specific Programs 19,979

Earnings on Investment 15

Miscellaneous 22,381

Total General Receipts 240,768

Change in Net Position (35,734)

**Net Position Beginning of Year, Restated** 203,498

**Net Position End of Year** \$ 167,764

See notes to the basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 56,675	\$ 89,639	\$ -	\$ 21,450	\$ 167,764
<b>Total Assets</b>	<u>\$ 56,675</u>	<u>\$ 89,639</u>	<u>\$ -</u>	<u>\$ 21,450</u>	<u>\$ 167,764</u>
<b>Fund Balances:</b>					
Restricted	-	89,639	-	21,450	111,089
Unassigned	<u>56,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,675</u>
<b>Total Fund Balances</b>	<u>\$ 56,675</u>	<u>\$ 89,639</u>	<u>\$ -</u>	<u>\$ 21,450</u>	<u>\$ 167,764</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General</u>	<u>Gasoline Tax</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS</b>					
Property and Other Local Taxes	\$ 89,840	\$ -	\$ 68,358	\$ 26,394	\$ 184,592
Intergovernmental	27,039	88,697	4,834	21,212	141,782
Earnings on Investments	10	13	-	3	26
Miscellaneous	11,258	9,741	-	1,372	22,371
<b>Total Receipts</b>	<u>128,147</u>	<u>98,451</u>	<u>73,192</u>	<u>48,981</u>	<u>348,771</u>
<b>CASH DISBURSEMENTS:</b>					
Current:					
General Government	62,491	1,083	1,844	1,545	66,963
Public Safety	1,864	-	71,348	113	73,325
Public Works	67,628	95,416	-	60,804	223,848
Health	4,217	-	-	-	4,217
Capital Outlay	3,160	-	-	-	3,160
Debt Service					
Principal Retirement	5,625	5,445	-	898	11,968
Interest and Fiscal Charges	539	450	-	35	1,024
<b>Total Disbursements</b>	<u>145,524</u>	<u>102,394</u>	<u>73,192</u>	<u>63,395</u>	<u>384,505</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	(17,377)	(3,943)	-	(14,414)	(35,734)
<b>Other Financing Sources (Uses)</b>					
Transfers In	-	-	-	5,941	5,941
Transfers Out	-	-	-	(5,941)	(5,941)
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund cash Balance</b>	(17,377)	(3,943)	-	(14,414)	(35,734)
<b>Cash Fund Balances Beginning of Year, Restated</b>	<u>74,052</u>	<u>93,582</u>	<u>-</u>	<u>35,864</u>	<u>203,498</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 56,675</u>	<u>\$ 89,639</u>	<u>\$ -</u>	<u>\$ 21,450</u>	<u>\$ 167,764</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 88,000	\$ 88,000	\$ 89,840	\$ 1,840
Intergovernmental	32,000	32,000	27,039	(4,961)
Earnings on Investments	13	13	10	(3)
Miscellaneous	987	987	11,258	10,271
<b>Total Receipts</b>	<u>121,000</u>	<u>121,000</u>	<u>128,147</u>	<u>7,147</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	62,722	77,595	62,491	15,104
Public Safety	2,275	2,275	1,864	411
Public Works	85,200	86,696	67,628	19,068
Health	4,875	6,010	4,217	1,793
Capital Outlay	2,255	3,301	3,160	141
Debt Service:				
Principal Retirement	11,200	11,200	5,625	5,575
Interest and Fiscal Charges	2,000	2,000	539	1,461
<b>Total Disbursements</b>	<u>170,527</u>	<u>189,077</u>	<u>145,524</u>	<u>43,553</u>
<b>Net Change in Fund Balance</b>	(49,527)	(68,077)	(17,377)	50,700
<b>Cash Fund Balances Beginning of Year</b>	<u>74,052</u>	<u>74,052</u>	<u>74,052</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 24,525</u>	<u>\$ 5,975</u>	<u>\$ 56,675</u>	<u>\$ 50,700</u>

See notes to basic financial statements.



**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CASH RECEIPTS</b>				
Intergovernmental	\$ 85,985	\$ 85,985	\$ 88,697	\$ 2,712
Earnings on Investments	15	15	13	(2)
Miscellaneous	-	-	9,741	9,741
<b>Total Receipts</b>	<u>86,000</u>	<u>86,000</u>	<u>98,451</u>	<u>12,451</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	2,495	2,520	1,083	1,437
Public Works	112,200	115,387	95,416	19,971
Debt Service:				
Principal Retirement	11,200	11,200	5,445	5,755
Interest and Fiscal Charges	1,500	1,500	450	1,050
<b>Total Disbursements</b>	<u>127,395</u>	<u>130,607</u>	<u>102,394</u>	<u>28,213</u>
<b>Net Change in Fund Balance</b>	(41,395)	(44,607)	(3,943)	40,664
<b>Cash Fund Balances Beginning of Year</b>	<u>93,582</u>	<u>93,582</u>	<u>93,582</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 52,187</u>	<u>\$ 48,975</u>	<u>\$ 89,639</u>	<u>\$ 40,664</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES  
BUDGET AND ACTUAL - BUDGET BASIS  
FIRE DISTRICT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 77,000	\$ 77,000	\$ 68,358	\$ (8,642)
Intergovernmental	-	-	4,834	4,834
<b>Total Receipts</b>	<u>77,000</u>	<u>77,000</u>	<u>73,192</u>	<u>(3,808)</u>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	2,750	2,750	1,844	906
Public Safety	70,550	71,348	71,348	-
<b>Total Disbursements</b>	<u>73,300</u>	<u>74,098</u>	<u>73,192</u>	<u>906</u>
<b>Net Change in Cash Fund Balances</b>	3,700	2,902	-	(2,902)
<b>Cash Fund Balances Beginning of Year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Fund Balances End of Year</b>	<u>\$ 3,700</u>	<u>\$ 2,902</u>	<u>\$ -</u>	<u>\$ (2,902)</u>

See notes to basic financial statements.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**1. DESCRIPTION OF THE REPORTING ENTITY**

**Reporting Entity**

The Township of Harmony, Morrow County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly elected 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.

**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 road and bridges, cemetery maintenance, and fire services. The Township contracts with the Big Walnut Fire District for fire protection.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in the Basis of Accounting section of this Note, 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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the Township's accounting policies.

**Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position 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 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 service. The Township has no business-type activities.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of net position presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the programs 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 are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**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 divided into one category: governmental.

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Township are financed. The following are the Township's major governmental funds:

**General Fund** – The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Gasoline Tax Fund** – The Gasoline Tax Fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**Fire District Fund** – The Fire District Fund accounts for and reports property tax restricted for payment of their fire contract with the Big Walnut Joint Fire District.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. There were no modifications having substantial support.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities (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.

**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 set limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

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

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Investments**

Township records identify the purchase of specific investments by specific funds.

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".

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2017 was \$10.

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent monies restricted for use in regards to road maintenance, capital projects and debt service.

**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.

**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.

**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.

**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.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**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 an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**Net Position**

Net position is 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 position restricted for other purposes include resources restricted for debt payments, capital expenditures such as land and land improvements and road maintenance.

The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** – Fund balance is restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees removes or change the specified use by taking the same type of action (resolution) it employed to previously commit the amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by ordinance, or by State Statute.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Internal Activity**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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 cash disbursements to the funds that initially paid for them are not presented on the financial statements.

**3. BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance-Budget and Actual-Budgetary Basis presented for the General Fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparisons of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance. There were no outstanding encumbrances at year-end for 2017.



**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**4. DEPOSITS AND INVESTMENTS**

Monies held by the Township are classified by State into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligation described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligation of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio).

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**4. DEPOSITS AND INVESTMENTS (Continued)**

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirement have been met; and
8. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Township did not have any undeposited cash on hand for 2017.

**Deposits:**

As of December 31, 2017, the Township had no custodial credit risk.

**Investments:**

As of December 31, 2017, the Township had no investments.

**5. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2017 for real and public utility property taxes represent collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on assessed value at January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**5. PROPERTY TAXES (Continued)**

The full tax rate for all Township operations for the year ended December 31, 2017, was 4.20 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	\$	52,854,500
Public Utility Personal Property		1,600,470
Total Assessed Value		54,454,970

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**6. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2017.

		2017
Assets	\$	40,010,732
Liabilities		(8,675,465)
Retained Earnings		\$31,335,267

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**6. RISK MANAGEMENT (Continued)**

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$2,152.

Based on discussion 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.

Contributions to OTARMA	
2017	\$4,892

After completing 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.

**7. DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

Plan Description - The Township, participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan 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 includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
<b>Public Safety</b>	<b>Public Safety</b>	<b>Public Safety</b>
<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Law Enforcement</b>	<b>Law Enforcement</b>	<b>Law Enforcement</b>
<b>Age and Service Requirements:</b> Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	<b>Age and Service Requirements:</b> Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>	<b>Public Safety and Law Enforcement</b>
<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	<b>Formula:</b> 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

**HARMONY TOWNSHIP**  
**MORROW COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in Calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contribution plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipts of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**7. DEFINED BENEFIT PENSION PLAN (Continued)**

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
<b>2017 Statutory Maximum Contribution Rates</b>			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
<b>2017 Actual Contribution Rates</b>			
Employer:			
Pension	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

\* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

\*\* This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Township's contractually required contribution was \$6,240 for year 2017.

**8. POSTEMPLOYMENT BENEFITS**

***Ohio Public Employees Retirement System***

Plan Description - Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-e post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately on the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed at a rate at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Employer contribution rates are actuarially determined are expressed as a percentage of covered payroll. The Township's contractually required contribution was \$1,783.

**9. DEBT**

The Township's debt activity for the year ended December 31, 2017, was as follows:

	Balance January 1 2017	Issued	Retired	Balance December 31 2017	Amount Due Within One Year
Equipment Bonds	\$ 18,245	\$ -	\$ 11,968	\$ 6,277	\$ 6,277
Total	<u>\$ 18,245</u>	<u>\$ -</u>	<u>\$ 11,968</u>	<u>\$ 6,277</u>	<u>\$ 6,277</u>

In 2013, the Township issued \$40,000 in Township Equipment Bonds. The proceeds were used in part to pay off an outstanding equipment garage loan. The bonds carry an interest rate of 3.25% and are being paid in annual installments of \$6,492, including interest over 7 years. The Township made an extra payment in 2017.



**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**9. DEBT**

Amortization of the above debt is as follows:

	Equipment Bonds	
	Principal	Interest
2018	\$ 6,277	\$ 204
Total	\$ 6,277	\$ 204

**10. FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for major governmental funds and all other governmental funds as of December 31, 2017 are presented below:

Fund Balances	General Fund	Gas Tax Fund	Fire District	Other Governmental Funds	Total
<b>Restricted for</b>					
Road & Bridge	\$ -	\$ 89,639	\$ -	\$ 21,450	\$ 111,089
Total Restricted	-	89,639	-	21,450	111,089
<b>Unrestricted</b>	56,675	-	-	-	56,675
Total	\$ 56,675	\$ 89,639	\$ -	\$ 21,450	167,764

**11. RESTATEMENT OF FUND BALANCE**

	General	Special Revenue	Total
Fund Balance at December 31, 2016	\$ 73,919	\$ 129,391	\$ 203,310
Adjustments	133	55	188
Fund Balance at January 1, 2017	\$ 74,052	\$ 129,446	\$ 203,498

Fund balances in the General and Special Revenue Funds have been restated for the year beginning January 1, 2017 as voided checks were added back:

**HARMONY TOWNSHIP  
MORROW COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

**12. INTERFUND BALANCES AND TRANSFERS**

During 2017, the following transfers were made:

<b>Transfer to</b>	<b>Transfer from</b>
	Other Nonmajor Governmental
Other Nonmajor Governmental Funds	\$ 5,941

The above mentioned Transfers From/To were used to pay back funds to the Permissive Motor Vehicle License Tax Fund from the Motor Vehicle License Tax Fund. The Permissive Motor Vehicle License Tax Fund originally paid for expenditures that should have been paid by the Motor Vehicle License Tax Fund.

**13. COMPLIANCE**

Contrary to Ohio Revised Code 5705.41(D), the Township had invoices dated prior to certification.

Contrary to Ohio Revised Code 5705.39, The Township had appropriations greater than estimated resources in the Motor Vehicle License Tax Fund, Road & Bridge Fund, and Permissive Motor Vehicle License Tax Fund.

**14. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

Last audit period the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This audit period the Township has implemented the cash basis of accounting. The 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. There was no restatement of fund equity due to this change.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.  
1100 BRANDYWINE BLVD. BUILDING G  
ZANESVILLE, OHIO 43701**

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

Harmony Township  
Morrow County  
2324 CR 170  
Marengo, Ohio 43334

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harmony Township, Morrow County as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 25, 2019, wherein we noted the Township uses a special framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered Harmony Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2018-002 described in the accompanying Schedule of Findings to be a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Harmony 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, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is reported in the accompanying Schedule of Findings as items 2018-001 and 2018-003.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Wilson, Phillips & Agin, CPA's, Inc.***  
Zanesville, Ohio  
June 25, 2019

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-001**

**Noncompliance**

Ohio Rev. Code § 5705.41 (D) (1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
3. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
4. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify the availability of funds prior to purchase commitments for 24% of the expenditures tested in 2018 and 2017, and there was no evidence the Township followed the aforementioned exceptions.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-001 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Fiscal Officer certify purchases to which § 5705.41 (D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: We have not received a response from the client.

**FINDING NUMBER 2018-002**

**Material Weakness**

During 2018 and 2017, the Fiscal Officer did not accurately post budgeted receipts and amendments made to them to the accounting system. Variances existed between the Certificate of Estimated Resources and the amounts posted to the accountings system. The following table details these variances:

Fund	Amount Per Last Amended Certificate	Amounts Posted To Accounting System	Variance
General (2018)	\$ 138,500	\$ 124,345	\$ 14,155
MVL Tax (2018)	7,600	14,567	(6,967)
Gasoline Tax (2018)	89,725	89,013	712
Road & Bridge (2018)	28,200	37,961	9,761
Fire District (2018)	73,300	83,800	(10,500)
Permissive MVL Tax (2018)	9,600	12,631	(3,031)
General (2017)	121,000	115,200	5,800
MVL Tax (2017)	9,000	19,002	(10,002)
Gasoline Tax (2017)	86,000	86,815	(815)
Road & Bridge (2017)	19,000	28,200	(9,200)
Fire District (2017)	77,000	74,098	2,902
Permissive MVL Tax (2017)	-	13,443	(13,443)
Bond (2017)	189,000	33,086	155,914

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017**

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

**FINDING NUMBER 2018-002 (Continued)**

We recommend the Fiscal Officer accurately post estimated receipts as approved by the County Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Client Response:** We receive no response from the client.

**FINDING NUMBER 2018-003**

**Noncompliance**

Ohio Rev. Code Section 5705.39 states, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2018, appropriations exceeded estimated resources in the following funds: in the Motor Vehicle License Tax Fund by \$6,324; in the Road & Bridge Fund by \$8,038, in the Fire District Fund by \$5,130 and in the Permissive Motor Vehicle License Tax Fund by \$2,611.

In 2017, appropriations exceeded estimated resources in the following funds: in the Motor Vehicle License Tax Fund by 5,236; in the Road & Bridge Fund by \$9,200, and in the Permissive Motor Vehicle License Tax Fund by \$6,216.

We recommend the Township Fiscal Officer and Board of Trustees compare appropriations to estimated resources on a monthly basis to verify that appropriations do not exceed estimated resources.

**Client Response:** We received no response from the client.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2018**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2016-001	Posting of Budgeted Amounts	No	Not Corrected - Refer to Findng 2018-002
2016-002	ORC 5705.10(D) Revenue Posting	Yes	Finding No Longer Valid
2016-003	ORC 5705.42 On-Behalf Payments	Yes	Finding No Longer Valid
2016-004	Accounting Records/ Monthly Reconciliations	Yes	Finding No Longer Valid
2016-005	ORC 5705.41(D) Expenditures exceeding Appropriations	Yes	Finding No Longer Valid
2016-006	ORC 505.24 Payroll Allocations	Yes	Finding No Longer Valid 2018-003
2016-007	Finding for Recovery ORC 505.601 Health Care Reimbursements	Yes	Finding No Longer Valid, Paid back entirely in 2018
2016-008	ORC 117.38 Annual Report Filing	No	Partially corrected, reissued in Management Letter



# OHIO AUDITOR OF STATE KEITH FABER



**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  
OCTOBER 1, 2019**