

PALMYRA TOWNSHIP

PORTAGE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2007 and 2006

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Palmyra Township
10100 Williams Road
Diamond, Ohio 44412

We have reviewed the *Report of Independent Accountants* of Palmyra Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 4, 2008

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PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2007 and 2006

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	3
Combined Statement of Receipts, Disbursements and Changes in Fund Balances - All Governmental Fund Types - For the Year Ended December 31, 2006	4
Notes to the Financial Statements	5-11
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	12-13
Schedule of Findings	14
Schedule of Prior Audit Findings	15

REPORT OF INDEPENDENT ACCOUNTANTS

Palmyra Township
Portage County
9634 Tallmadge Road
Diamond, Ohio 44412

To the Board of Trustees:

We have audited the accompanying financial statements of Palmyra Township, Portage County, Ohio (Township) as and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revision requires presenting entity wide statements and also to present larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure its financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Palmyra Township, Portage County as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2008 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
October 24, 2008

PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2007

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Receipts:					
Local Taxes	\$ 53,362	\$ 194,009	-	-	\$ 247,371
Intergovernmental	65,638	123,959	\$ 99,097	-	288,694
Charges for Services	-	54,523	-	-	54,523
Licenses, Permits and Fees	16,254	9,077	-	-	25,331
Earnings on Investments	1,054	188	-	\$ 933	2,175
Other Revenue	36,536	5,835	-	-	42,371
Total Receipts	172,844	387,591	99,097	933	660,465
Disbursements:					
General Government	143,501	37,732	-	-	181,233
Public Safety	35,205	164,055	-	-	199,260
Public Works	9,609	179,823	99,097	-	288,529
Health	21,391	2,066	-	1,940	25,397
Capital Outlay	52,525	3,451	-	1,000	56,976
Total Disbursements	262,231	387,127	99,097	2,940	751,395
Receipts Over/(Under) Disbursements	(89,387)	464	-	(2,007)	(90,930)
Other Financing Sources:					
Sale of Capital Assets	6,600	-	-	-	6,600
Total Other Financing Sources	6,600	-	-	-	6,600
Excess Receipts and Other Financing Sources Over Disbursements	(82,787)	464	-	(2,007)	(84,330)
Fund Balance, January 1, 2007	232,056	372,210	-	27,244	631,510
Fund Balance, December 31, 2007	\$ 149,269	\$ 372,674	\$ -	\$ 25,237	\$ 547,180

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

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006**

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Permanent	
Receipts:				
Local Taxes	\$ 48,564	\$ 138,445	-	\$ 187,009
Charges for Services	-	47,329	-	47,329
Intergovernmental	130,144	123,948	-	254,092
Licenses, Permits and Fees	15,880	7,597	-	23,477
Earnings on Investments	1,108	179	\$ 781	2,068
Other Revenue	23,702	3,141	-	26,843
Total Receipts	219,398	320,639	781	540,818
Disbursements:				
General Government	133,484	18,041	-	151,525
Public Safety	83,055	40,575	-	123,630
Public Works	5,167	102,384	-	107,551
Health	20,384	9,385	90	29,859
Capital Outlay	80,536	22,789	1,695	105,020
Total Disbursements	322,626	193,174	1,785	517,585
Receipts Over/(Under) Disbursements	(103,228)	127,465	(1,004)	23,233
Other Financing Sources:				
Sale of Capital Assets	16,663	-	-	16,663
Total Other Financing Sources	16,663	-	-	16,663
Excess Receipts and Other Financing Sources Over Disbursements	(86,565)	127,465	(1,004)	39,896
Fund Cash Balance, January 1, 2006	318,621	244,745	28,248	591,614
Fund Balance, December 31, 2006	\$ 232,056	\$ 372,210	\$ 27,244	\$ 631,510

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

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Palmyra Township, Portage County (the Township) is a body corporate and politic established for the purpose of exercising 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 Township provides road and bridge maintenance, fire protection, cemetery maintenance and emergency medical services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

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

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

C. CASH AND INVESTMENTS

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** – (continued)

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

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Road and Bridge Fund* – This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.
- *1 Mill Fire Levy Fund* – This fund receives property taxes to provide fire protection.
- *2 Mill Fire Levy Fund* – This fund receives property taxes to provide fire protection.
- *Fire Rescue, Ambulance Fund* – This fund receives charges for services for ambulance runs.

Capital Project Fund: This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

- *Public Works Fund* – This fund accounts for Issue II funds used to repave Township Highway #134, Scotts Corners Road.

Permanent Fund: This fund accounts for resources restricted by legally binding trust agreements. The Township had the following significant Permanent Fund:

- *Cemetery Bequest Fund* – This fund utilizes the interest revenue for the upkeep and maintenance of the cemetery. The principal must remain intact.

E. **BUDGETARY PROCESS**

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS - (continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The county budget commission approves the certificate of estimated resources.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2007 and 2006. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The Township's legal level of control is the fund, function and object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are cancelled at year-end.

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2007	2006
Demand Deposit	\$ 399,050	\$ 608,379
Certificate of Deposit	148,130	23,131
Total Deposits and Investments	\$ 547,180	\$ 631,510

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

3. PROPERTY TAXES – (continued)

Tangible personal property tax receipts received in the current year (other than public utility property) represent the collection of the previous year's taxes. Tangible personal property taxes received in the current year were levied after October 1 of the previous year, on the true values as of December 31 of the previous year. The tangible personal property tax is in the process of being phased out by the State of Ohio over a period of years. The assessment percentage for all property, including inventory, for 2006 was 18.75 percent. The rate for 2007 was 12.5 percent. The rates for 2008 and 2009 will be 6.25 percent and zero respectively.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 420,000	\$ 262,231	\$ 157,769
Special Revenue	719,440	387,127	332,313
Capital Projects	99,097	99,097	-
Permanent	4,150	2,940	1,210

2006 Budgeted vs Actual Budgetary Basis Expenditures			
<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 474,629	\$ 322,626	\$ 152,003
Special Revenue	501,240	193,174	308,066
Permanent	5,000	1,785	3,215

2007 Budgeted vs Actual Receipts			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 188,464	\$ 179,444	\$ (9,020)
Special Revenue	363,268	387,591	24,323
Capital Projects	99,097	99,097	-
Permanent	995	933	(62)

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

4. BUDGETARY ACTIVITY – (continued)

<u>2006 Budgeted vs Actual Receipts</u>			
<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 227,932	\$ 236,061	\$ 8,129
Special Revenue	279,484	320,639	41,155
Permanent	966	781	(185)

5. RETIREMENT SYSTEMS

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their gross pay while the Township contributed an amount equal to 13.70% of covered payroll. For 2007, OPERS members contributed 9.5% of their gross pay while the Township contributed an amount equal to 13.85% of covered payroll. The Township paid all required contributions through 2007.

Full time members of the fire department are members of the Ohio Police and Fire Pension Fund (OP&F). OP&F is a state operated, cost sharing multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. For 2007, OP&F members contributed 10% of their annual covered salary, while the Township contributed 24% for firefighters. The Township paid all required contributions through 2007.

6. RISK MANAGEMENT

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

Casualty Coverage - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

**PALMYRA TOWNSHIP
PORTAGE COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006**

6. RISK MANAGEMENT - (Continued)

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

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2007 and 2006:

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

7. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland, OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Palmyra Township
Portage County
9634 Tallmadge Road
Diamond, Ohio 44412

To the Board of Trustees:

We have audited the accompanying financial statements of Palmyra Township, Portage County, Ohio (the "Township") as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 24, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in the accompanying schedule of findings, item 2007-Palmyra-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We also noted certain matters that we have reported to management of the Township in a separate letter dated October 24, 2008.

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

Charles E. Harris and Associates, Inc.
October 24, 2008

**PALMYRA TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2007 and 2006**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 2007-Palmyra-01 – Material Weakness

The Township had several posting errors during the fiscal years 2007 and 2006. These errors were the result of the Township failing to recognize the sources of revenue and their posting into the proper line items in the accounting system. This resulted in several in reclassifications being made. The errors noted are as follows:

- Cable franchise fees were posted to Other Revenue rather than Licenses, Permits and Fees for Services in FY 06.
- Homestead/Rollback revenue from the State of Ohio was posted to Local Taxes rather than Intergovernmental Revenue in FY 07.

We recommend that the Township post receipts and disbursements in the proper line item in accordance with the Ohio Township Handbook.

Management Response:

Although the current fiscal officer was not responsible for the posting of receipts and disbursements during the time period under audit, she will work diligently to improve the posting of receipts and disbursements to the appropriate line items in the future.

**PALMYRA TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2007 and 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken or Finding No Longer Valid; Explain
2005- 001	Ohio Revised Code Section 5705.41 (D) (1)-Failure to certify expenditures	Yes	Finding no longer valid



Mary Taylor, CPA
Auditor of State

PALMYRA TOWNSHIP

PORTAGE 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
DECEMBER 16, 2008**