



**HARMONY TOWNSHIP  
MORROW COUNTY**

**NON-GAGAS AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**



**Dave Yost • Auditor of State**



**HARMONY TOWNSHIP  
MORROW COUNTY**

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# Dave Yost • Auditor of State

## REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Harmony Township  
Morrow County  
2324 CR 170  
Marengo, Ohio 43334

To the Board of Trustees:

We have selectively tested certain accounts, financial records, reports and other documentation of Harmony Township, Morrow County, Ohio, (the Township), as of and for the years ended December 31, 2016 and 2015. These procedures were designed to satisfy the audit requirements of Section 117.11, Ohio Rev. Code, and Section 117-4-02, Ohio Admin. Code. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

### ***Internal Control Over Financial Reporting***

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency 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, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2016-001 through 2016-004 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

### ***Compliance and Other Matters***

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Township, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2016-002 through 2016-008.

***Township's Response to Findings***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

April 9, 2018

**HARMONY TOWNSHIP  
MORROW COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH  
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Total Unclassified Cash Receipts	\$ 115,867	\$ 207,926	\$ 111,279	\$ 435,072
<b>Cash Disbursements:</b>				
Total Unclassified Cash Disbursements	140,841	236,105	111,279	488,225
Total Unclassified Receipts Under Unclassified Disbursements	(24,974)	(28,179)	-	(53,153)
Fund Cash Balances, January 1	98,893	157,570	-	256,463
Fund Cash Balances, December 31	<u>\$ 73,919</u>	<u>\$ 129,391</u>	<u>\$ -</u>	<u>\$ 203,310</u>

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

**HARMONY TOWNSHIP  
MORROW COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH  
DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Total Unclassified Cash Receipts	\$ 114,520	\$ 216,913	\$ 159,403	\$ 490,836
<b>Cash Disbursements:</b>				
Total Unclassified Cash Disbursements	125,387	199,180	159,403	483,970
Total Unclassified Receipts Over (Under) Unclassified Disbursements	(10,867)	17,733	-	6,866
Fund Cash Balances, January 1	109,760	139,837	-	249,597
Fund Cash Balances, December 31	<u>\$ 98,893</u>	<u>\$ 157,570</u>	<u>\$ -</u>	<u>\$ 256,463</u>

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



**Harmony Township**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*

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**Note 1 – Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk sharing pool available to Ohio Townships and provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of unclassified cash receipts, unclassified cash disbursements and changes in fund cash balances for all governmental fund types.

***Fund Accounting***

The Township uses funds 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. The funds of the Township are presented below:

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

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

***Issue II Fund*** – The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

**Harmony Township**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*  
*(Continued)*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The Township did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

***Budgetary Process***

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

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

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

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

A summary of 2016 and 2015 budgetary activity appears in Note 4.

***Deposits***

The Township maintains a checking account with a local bank.

***Capital Assets***

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

**Harmony Township**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*  
*(Continued)*

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Motor Vehicle License Tax fund by \$1,364 and \$1,795 for the years ended December 31, 2016 and 2015, respectively. Budgetary expenditures exceeded appropriation authority in the Gasoline Tax fund by \$21,194 for the year ended December 31, 2016. Budgetary expenditures exceeded appropriation authority in the Road & Bridge fund by \$11,917 for the year ended December 31, 2015.

Contrary to Ohio law, during 2016 and 2015 the Township misposted permissive motor vehicle license taxes to the Motor Vehicle License Tax Fund in the amounts of \$10,450 and \$8,208, respectively.

Contrary to Ohio Law, during 2016 the Township did not properly record “on-behalf” receipts and expenditures to the accounting ledgers.

**Note 4 – Budgetary Activity**

Budgetary activity for the years ending December 31, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$121,000	\$115,867	(\$5,133)
Special Revenue	191,000	207,926	16,926
Capital Projects	111,279	111,279	0
Total	\$423,279	\$435,072	\$11,793

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,485	\$140,841	\$644
Special Revenue	212,918	236,105	(23,187)
Capital Projects	111,279	111,279	0
Total	\$465,682	\$488,225	(\$22,543)

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,398	\$114,520	\$10,122
Special Revenue	191,866	216,913	25,047
Capital Projects	159,403	159,403	0
Total	\$455,667	\$490,836	\$35,169

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$137,042	\$125,387	\$11,655
Special Revenue	212,403	199,180	13,223
Capital Projects	159,403	159,403	0
Total	\$508,848	\$483,970	\$24,878

**Harmony Township**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*  
*(Continued)*

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**Note 5 – Deposits**

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

	2016	2015
Demand deposits	\$203,310	\$256,463

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

**Note 6 – Property Taxes**

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

Public utilities are also taxed on personal and real property located within the Township. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**Note 7 - Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), 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, 2016, 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.

**Harmony Township**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*  
*(Continued)*

**Note 7 - Risk Management (Continued)**

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, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Assets	\$38,473,283	\$37,313,311
Liabilities	8,244,140	8,418,518
Net Position	\$30,229,143	\$28,894,793

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$7.4 million and \$7.8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 and \$7.7 million of unpaid claims to be billed to approximately 1,010 member and 989 member governments in the future, as of December 31, 2016 and 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$2,419.

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

<u><b>2016 Contributions to OTARMA</b></u>	<u><b>2015 Contributions to OTARMA</b></u>
\$5,375	\$4,833

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

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 10%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Harmony Township**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2016 and 2015*  
*(Continued)*

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**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
2013 Township Equipment Bonds	18,245	3.25%
Total	\$18,245	

On August 6, 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.

***Amortization***

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

	2013 Township Equipment Bonds
Year ending December 31:	
2017	6,492
2018	6,492
2019	6,492
Total	\$19,476

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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**FINDING 2016-001**

**Internal Control – Posting of Budgeted Amounts**

The Township should accurately post to its expenditure ledgers in a timely manner, the appropriations as approved by the Board of Trustees to allow for monitoring of budget versus actual expenditures.

At December 31, 2016 and 2015, the budgeted amounts posted to the Township's accounting ledgers varied from appropriations approved by the Board as follows:

**2015**

<b>Funds</b>	<b>Board Approved Appropriations</b>	<b>Posted Appropriations</b>	<b>Variance</b>
General Fund	\$137,042	\$151,169	(\$14,127)
Motor Vehicle License Tax Fund	\$8,660	\$12,479	(\$3,819)
Gasoline Tax Fund	\$105,833	\$111,180	(\$5,347)
Road & Bridge Fund	\$18,910	\$35,105	(\$16,195)

**2016**

<b>Funds</b>	<b>Board Approved Appropriations</b>	<b>Posted Appropriations</b>	<b>Variance</b>
General Fund	\$141,485	\$179,494	(\$38,009)
Motor Vehicle License Tax Fund	\$12,055	\$24,502	(\$12,447)
Gasoline Tax Fund	\$101,575	\$143,540	(\$41,965)
Road & Bridge Fund	\$33,150	\$44,631	(\$11,481)

Failure to post budgeted amounts accurately results in the inability to properly monitor budgeted versus actual financial activity of the Township, and thus, may impair management's ability to detect possible errors or irregularities.

In order to use the budget as an effective management tool, we recommend the Fiscal Officer accurately and timely post to the accounting ledgers appropriations approved by the Board of Trustees.

**Officials' Response:**

Harmony Township is using the Uniform Accounting Networking System which automatically posts to the accounting ledger. The annual appropriations were approved by the Township Board, but were not appropriately filed with the County Auditor. A form was set up to be approved by the Township Board, and then approved by the County Budget Commission.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)</b>
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**FINDING 2016-002**

**Noncompliance Citation and Internal Control – Revenue Posting**

**Ohio Rev. Code § 5705.10(D)** provides, in part, all revenue derived from a source other than the general property tax and which the law prescribes, shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2016 and 2015 the Township misposted permissive motor vehicle license taxes to the Motor Vehicle License Tax Fund in the amounts of \$10,450 and \$8,208, respectively.

Failure to properly post receipts could result in restricted monies being used for unallowable purposes and could also lead to inaccurate financial statements.

We recommend the Township closely monitor the posting of revenue derived for a particular purpose to ensure the revenue is paid into the special revenue fund for such purpose. We further recommend the Township create a Permissive Motor Vehicle License Tax Fund to account for the receipt and expenditure of permissive motor vehicle license tax receipts.

**Officials' Response:**

The Morrow County Commissioners placed three license plate fees on the registrations of motor vehicles. The Township does appreciate the revenue; however, we as a board did not see any correspondence that stated the Township must establish the Permissive License Fund even if the fund was established at the county level. The Township Board is aware if established by the Township Board we must set-up the account then. At no time was any documentation received by the Township Board stating that a fund must be established.

Note: The Permissive License Fee Fund has been established once brought to our attention.



**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)</b>
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**FINDING NUMBER 2016-003**

**Noncompliance Citation and Internal Control – On-Behalf Payments**

**Ohio Rev. Code § 5705.42** requires, in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

During 2016, the Township participated in the Ohio Public Works Commission Title II program for road replacement. The Fiscal Officer improperly recorded "on-behalf" receipts associated with this project due to posting to the accounting ledgers the project estimate instead of actual disbursements made on-behalf of the Township. The financial statements have been adjusted to properly recognize receipt and disbursement of on-behalf payments. Failure to properly record on-behalf payments could lead to inaccurate financial reporting.

We recommend the Township ensure procedures are in place for accurately recording on-behalf of payments, and that activity is recorded in accordance with AOS Bulletin 2000-008.

**Officials' Response:**

Yes, the Township did receive Issue 1 Grant money. The project overlapped into the year 2017. During the transition of closing the year out for 2016 and the establishment of a new budget in 2017, some procedural error occurred. We would like to thank the Auditor of State at this time for the corrections and advice on how in the future to keep the posting of electronic transfer of funds intact.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)</b>
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**FINDING 2016-004**

**Noncompliance Citation and Internal Control – Accounting Records and Monthly Reconciliations**

**Ohio Admin. Code § 117-2-01(D)(3) and (5)** state that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

**Ohio Admin. Code § 117-2-02(A)** requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Accurate monthly reconciliations of the ending bank account balance to the Township's ending book balance were not performed during the audit period by the Fiscal Officer. Reconciling items were not detailed to enable a proper reconciliation to be performed. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected. The extensive problems with these reconciliations resulted in the need for the Township to procure from the Auditor of State's Local Government Services Division detailed proofs of cash for each month and a reconstruction of the cash book for the entire audit period which can be costly to the Township.

Additionally, the Township presented unclassified financial statements for 2015 and 2016 due to the lack of accurate posting of transactions to the accounting system.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total accounting system fund balances. We also recommend the Fiscal Officer maintain accurate listings of outstanding checks and deposits and follow up on items which have been outstanding for an extended period of time to ensure that proper credit is given to the Township for outstanding deposits, outstanding deposits are properly supported and outstanding checks are voided and paid into an unclaimed monies fund or reissued. We further recommend copies of bank reconciliations be presented to the Board of Trustees for review, approval, and use in managing and making decisions for the Township.

**Officials' Response:**

Paragraph one: Harmony Township has quarterly reports that are reviewed by the Township Board and signed off on. Paragraph two: Harmony Township, being a part of the Uniform Accounting Networking System, has all the documents at its hands that are prepared automatically and are available to the Board and citizens of the community at each monthly meeting and are ready to be printed. Paragraph three: During the ending of 2016 the fiscal officer approached the Township Board and advised them that the fiscal officer was having difficulty balancing to the check book and that with the Board's permission ask that Local Government Services be called in to support in finding the error in the checking account. What was found was that two federal tax deposits were not released on the cash ledger side plus the posting of two credit card receipts, then on the banking side released two electronic receipts. This in and out of postings/not postings caused the fiscal officer difficult challenge to locate the issue of balancing. Paragraph four: Within the answer to paragraph three of course the end of year financial reports will be inaccurate with filing at the county as well as the year-end up load to the State Auditor's Office. Paragraph five:

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)</b>
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**FINDING 2016-004 (Continued)**

**Noncompliance Citation and Internal Control – Accounting Records and Monthly Reconciliations (Continued)**

**Officials’ Response: (Continued)**

As for the bank reconciliations it is automatically generated thru the Uniform Accounting Networking System. There are several functions to this process and are fully backed up to support the township balancing.

**FINDING 2016-005**

**Noncompliance Citation – Expenditures Exceed Appropriations**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Budgetary disbursements exceeded appropriations for the years ended December 31, 2016 and 2015 at the fund level as follows:

**2015**

<b>Funds</b>	<b>Board Approved Appropriations</b>	<b>Budgetary Disbursements</b>	<b>Variance</b>
Motor Vehicle License Tax Fund	\$8,660	\$10,455	(\$1,795)
Road & Bridge Fund	\$18,910	\$30,827	(\$11,917)

**2016**

<b>Funds</b>	<b>Board Approved Appropriations</b>	<b>Budgetary Disbursements</b>	<b>Variance</b>
Motor Vehicle License Tax Fund	\$12,055	\$13,419	(\$1,364)
Gasoline Tax Fund	\$101,575	\$122,769	(\$21,194)
Fire District Fund	\$66,138	\$73,326	(\$7,188)

Additionally, there were instances in which budgetary disbursements exceeded appropriations at the object level, which is the Township’s legal level of control.

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources.

The Township Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Township Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)**

**FINDING 2016-005 (Continued)**

**Noncompliance Citation – Expenditures Exceed Appropriations (Continued)**

**Officials' Response:**

Just as in Finding 2016-001, the Township Board does approve individual increases by approving in the minutes as well as signing off on documentation. However the Fiscal Officer failed to forward this information on to the county budget commission for final approval and file in Harmony Township folder as the county level in which this is where the State Auditors pulled Township records to cross – match for filing purposes. In finding 2016-001 the Township will use the new form for approval and forward on to the county for their approval also so the Township will have a time stamp copy on filing the document.

**FINDING 2016-006**

**Noncompliance Citation – Payroll Allocation**

**Ohio Rev. Code § 505.24(D)** states "by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed."

During 2016 and 2015, the Trustees completed monthly payroll certifications showing an allocation of 32% to the General Fund and 68% to the Gasoline Tax Fund. However, the Fiscal Officer allocated salaries 38% to the General Fund and 62% to the Gasoline Fund for both years.

Failure to properly allocate salaries based on the monthly payroll certifications could result in findings for adjustment in future audits if funds other than the Township's General Fund are charged an amount in excess of the percentage certified by the Trustees.

We recommend the Fiscal Officer allocate payroll in accordance with the monthly payroll certifications completed by the Trustees.

**Officials' Response:**

Harmony Township Board has by unanimous vote adopted to be paid by salary method, which consists of per diem pay basis upon budget and then multiplied by 200 days then divided by 12 months. Then the fiscal officer can split their work basis upon meetings and roadwork. After reviewing documentation from previous years it appears that about 32% of their work is meetings and 68% is performed on the Township roads. However, when setting that distribution up the fiscal officer transposed the numbers, and this is the reasoning for the finding.

HARMONY TOWNSHIP  
MORROW COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)

FINDING 2016-007

**Finding for Recovery Resolved Under Audit – Fiscal Officer Health Insurance Reimbursements**

**Ohio Rev. Code § 505.601** provides that if a board of township trustees does not procure an insurance policy or group health care services as provided in section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains.

During 2015, although no expenses relating to insurance premiums were incurred, Fiscal Officer John Pennington was reimbursed \$1,200.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against Fiscal Officer John Pennington and Travelers Casualty and Insurance Company of America, his bonding company, in the amount of \$1,200 and in favor of the Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985).

Trustees Bauer, Coleman, and Park authorized expenditures illegally paid to the Fiscal Officer. Accordingly, Trustees Bauer and Coleman, and the Ohio Township Association Risk Management Authority, their bonding company, will be jointly and severally liable, in the amount of \$1,200 and in favor of the Township's General fund. Trustee Park and the Ohio Township Association Risk Management Authority, his bonding company, will be jointly and severally liable, in the amount of \$1,000 and in favor of the Township's General fund.

On April 3, 2018, the Trustees approved a repayment plan in which Fiscal Officer John Pennington will repay the Township \$50 per month until the entire \$1,200 is repaid in full.

Amounts reimbursed to employees for out-of-pocket insurance premiums should be limited to actual out-of-pocket premium expenses incurred and documentation should be maintained to support such expenses.

**Officials' Response:**

This pertains to the change in the Health care law of 2013 and OBAMACARE! This law changed and how the township can reimburse the Township Board and its employees. After several weeks of acquiring more information for the Trustees and getting their documentation approved for them, the fiscal officer received information that the personnel information would not be accepted and was told if no other information is available then this would be a finding for recovery.

With this being stated a meeting was setup with the county prosecutor to review this situation and agreed upon settlement was made. The prosecutor provided the documentation and Township Board approved. The contract can be provided if in writing a request is made to the fiscal officer.

**HARMONY TOWNSHIP  
MORROW COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2016 AND 2015  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS (Continued)</b>
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**FINDING 2016-008**

**Noncompliance Citation – Annual Report Filing**

**Ohio Rev. Code § 117.38** states, in part, each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Entities not required to file on a GAAP basis have 60 days following fiscal year-end to complete their submission.

Auditor of State Bulletin (AOS) 2015-007 further states that beginning with 2015 financial report filings, all entities required to file with the AOS must file electronically via the Hinkle Annual Financial Data Reporting System (Hinkle System) unless a waiver has been approved by the AOS for the applicable filing year. This bulletin also provides guidance regarding the required components of financial statements for different bases of accounting and clarifies that beginning with audits of financial periods ending in 2016, the AOS will audit the financial statements uploaded and submitted to the AOS via the Hinkle System.

The Township's 2016 annual financial report was submitted on January 31, 2018, which is past the required deadline of March 1, 2017. Additionally, the Hinkle submission for both 2016 and 2015 did not include the notes to the financial statements, which is a required component as outlined in AOS Bulletin 2015-007.

By not ensuring the annual report is filed timely and includes all required elements, the Township could run the risk of future fines and penalties.

We recommend the Township ensure its annual financial report is filed timely via the Hinkle System in accordance with AOS Bulletin 2015-007.

**Officials' Response:**

Officials did not submit a substantive response.



# Dave Yost • Auditor of State

**HARMONY TOWNSHIP**

**MORROW COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY ' , 201-**