



Mary Taylor, CPA  
Auditor of State



HARRISON TOWNSHIP  
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	23

**This page intentionally left blank.**



Mary Taylor, CPA  
Auditor of State

Harrison Township  
Preble County  
300 East South Water Street  
Lewisburg, Ohio 45338

To the Board of Trustees:

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

June 15, 2009

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township  
Preble County  
300 East South Water Street  
Lewisburg, Ohio 45338

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

June 15, 2009



**HARRISON TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$41,593	\$392,948	\$434,541
Licenses, Permits, and Fees		53,188	53,188
Intergovernmental	31,381	164,645	196,026
Special Assessments		440	440
Earnings on Investments	19,761	266	20,027
Miscellaneous	1,005	2,980	3,985
Total Cash Receipts	93,740	614,467	708,207
<b>Cash Disbursements:</b>			
Current:			
General Government	92,924	38,354	131,278
Public Safety		100,000	100,000
Public Works		293,595	293,595
Health	956	84,970	85,926
Capital Outlay	3,853	14,124	17,977
Total Cash Disbursements	97,733	531,043	628,776
Total Receipts Over/(Under) Disbursements	(3,993)	83,424	79,431
<b>Other Financing Receipts / (Disbursements):</b>			
Advances-In	17,600	17,600	35,200
Advances-Out	(17,600)	(17,600)	(35,200)
Total Other Financing Receipts / (Disbursements)	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(3,993)	83,424	79,431
Fund Cash Balances, January 1	(3,550)	753,979	750,429
<b>Fund Cash Balances, December 31</b>	<b>(\$7,543)</b>	<b>\$837,403</b>	<b>\$829,860</b>
Reserve for Encumbrances, December 31	\$253	\$353	\$606

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

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$41,743	\$388,535	\$430,278
Licenses, Permits, and Fees		50,916	50,916
Intergovernmental	34,556	155,000	189,556
Special Assessments		200	200
Earnings on Investments	18,737	460	19,197
Miscellaneous	6,898	6,845	13,743
Total Cash Receipts	101,934	601,956	703,890
<b>Cash Disbursements:</b>			
Current:			
General Government	87,940	39,803	127,743
Public Safety		87,000	87,000
Public Works		250,713	250,713
Health	7,398	71,856	79,254
Capital Outlay		16,697	16,697
Total Cash Disbursements	95,338	466,069	561,407
Total Receipts Over Disbursements	6,596	135,887	142,483
<b>Other Financing Receipts / (Disbursements):</b>			
Advances-In	3,700	3,700	7,400
Advances-Out	(3,700)	(3,700)	(7,400)
Total Other Financing Receipts / (Disbursements)	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	6,596	135,887	142,483
Fund Cash Balances, January 1	(10,146)	618,092	607,946
<b>Fund Cash Balances, December 31</b>	<b>(\$3,550)</b>	<b>\$753,979</b>	<b>\$750,429</b>
Reserve for Encumbrances, December 31	\$253	\$353	\$606

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

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Preble 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Villages of Verona, West Manchester, and Lewisburg to provide fire services and the Village of Lewisburg to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The organization is:

OTARMA which is a public entity risk pool that provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP).

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

**B. Accounting Basis**

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

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

**C. Cash and Deposits**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

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

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**2. Special Revenue Funds**

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

Cemetery Fund - This fund receives proceeds from the sale of cemetery lots for maintaining Township cemeteries.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

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

**F. Property, Plant, and Equipment**

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

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Accumulated Leave**

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

**2. Equity in Pooled Cash and Deposits**

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

	2008	2007
Demand deposits	\$429,860	\$450,429
Certificates of deposit	400,000	300,000
Total deposits	\$829,860	\$750,429

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

During the audit period deposits up to \$100,117 were not insured or collateralized, contrary to Ohio law.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,662	\$93,740	\$21,078
Special Revenue	605,245	614,467	9,222
Total	\$677,907	\$708,207	\$30,300

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,244	\$97,986	(\$3,742)
Special Revenue	693,253	531,396	161,857
Total	\$787,497	\$629,382	\$158,115

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,000	\$101,934	\$29,934
Special Revenue	600,200	601,956	1,756
Total	\$672,200	\$703,890	\$31,690

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,076	\$95,591	(\$13,515)
Special Revenue	625,814	466,422	159,392
Total	\$707,890	\$562,013	\$145,877

Contrary to Ohio law:

- at December 31, 2007, the General Fund had a cash deficit balance of \$3,550; at December 31, 2008, the General Fund had a deficit cash balance of \$7,543;
- appropriation amendments were not approved by the Trustees;
- expenditures exceeded appropriations in the General Fund for 2007 and 2008;
- appropriations exceeded available resources for the Road and Bridge Fund and Cemetery Fund at December 31, 2007, and Cemetery Fund at December 31, 2008.

**4. Property Tax**

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

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

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

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

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Risk Management (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

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 (the latest information available):

	<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>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$7,813. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.



**HARRISON TOWNSHIP  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**6. Risk Management (Continued)**

<b>Contributions to OTARMA</b>	
2005	\$8,886
2006	\$9,607
2007	\$8,255

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. Related Party Transactions**

The Township Fiscal Officer is part owner of a local gas station, Webster Station, from which the Township acquired fuel and supplies during the audit period. The Township paid \$6,020 for fuel and supplies in 2007 and \$15,106 for fuel and supplies in 2008. The Fiscal Officer sold her ownership in the gas station on September 17, 2008.

**8. Noncompliance**

Contrary to Ohio Revised Code Section 505.24(C), the Township paid the Trustees from funds other than the General Fund during the audit period. The Township did not maintain documentation to support charging the Trustees' salaries to these funds.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Harrison Township  
Preble County  
300 East South Water Street  
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 15, 2009 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

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

Our consideration of internal 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 significant deficiencies.

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

We consider findings 2008-001, 2008-003, and 2008-004 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of 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 material weaknesses. We believe the significant deficiencies described above are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 15, 2009.

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

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-002 through 2008-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 15, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

June 15, 2009

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- The Fiscal Officer posted permissive auto license tax to Taxes rather than Intergovernmental (\$18,595 for 2007; \$18,461 for 2008).
- The Fiscal Officer posted public utility reimbursement receipts to Taxes rather than Intergovernmental (\$5,209 for 2007; \$4,172 for 2008). Of these amounts, the Fiscal Officer posted \$2,337 entirely to the General Fund both in 2007 and 2008—the Fiscal Office should have allocated these amounts to several different funds. In 2008 the Fiscal Officer posted a public utility reimbursement of \$575 to the General Fund; the Fiscal Officer should have posted the amount to the Road & Bridge Fund.
- The Fiscal Officer posted real estate property taxes as Intergovernmental rather than Taxes (\$12,509 for 2007; \$15,788 for 2008).
- The Fiscal Officer posted local government intangible tax and local government fund distributions to Taxes rather than Intergovernmental (\$43 for 2007; \$3,305 for 2008).
- The Fiscal Officer posted homestead/rollback receipts to Taxes rather than Intergovernmental in the amount of \$16,929 for 2007. Of this amount the Fiscal Officer posted \$953 to the Special Levy Road Fund; the Fiscal Officer should have posted this receipt to the Cemetery Stone Restoration Fund.
- The Fiscal Officer posted homestead/rollback and trailer homestead reimbursement receipts to Taxes rather than Intergovernmental in the amount of \$41,520 for 2008. Of this amount the Fiscal Officer posted \$1,259 to the Cemetery Fund; the Fiscal Officer should have posted this amount to the Cemetery Stone Restoration Fund. Also, the Fiscal Officer posted \$5,910 to the Special Levy Road Fund; the Fiscal Officer should have posted this amount to the Road & Bridge Fund.
- In 2008 the Fiscal Officer posted personal property tax, tangible personal property tax, and exempt personal property tax in the amount of \$5,003 to the Cemetery Fund; the Fiscal Officer should have posted this amount to the Cemetery Stone Restoration Fund.

**FINDING NUMBER 2008-001  
 (Continued)**

Numerous adjustments were needed to properly classify the monies received and expended. The accompanying financial statements include total adjustments as follows:

General Fund - Taxes (2007)	(\$4,147)
General Fund – Intergovernmental (2007)	1,996
Special Revenue Funds – Taxes (2007)	(23,166)
Special Revenue Funds – Intergovernmental (2007)	25,317
General Fund - Taxes (2008)	(7,958)
General Fund – Intergovernmental (2008)	5,232
Special Revenue Funds – Taxes (2008)	(40,677)
Special Revenue Funds – Intergovernmental (2008)	43,403

The net adjustments made to each fund balance is as follows:

<b>Fund</b>	<b>2007</b>	<b>2008</b>
General Fund	(\$2,150)	(\$2,726)
Road & Bridge (2031)	575	7,061
Cemetery (2041)	465	(5,834)
Fire District (Fund 2111)	512	512
Special Levy Road (Fund 2191)	(633)	(5,590)
Cemetery Stone Restoration (Fund 2193)	991	6,337
Ambulance (Fund 2281)	240	240

These adjustments have been posted to the Township's accounting records.

Failure to properly post revenue can result in inaccurate records and cause the Township to misappropriate funds. To improve accountability and record keeping, we recommend that the Township properly post all county and state revenue receipts to the correct funds and line items. The Fiscal Officer should review receipts posted to the ledgers for accuracy. Comparisons between years may aid in the determination if the Fiscal Officer has properly posted a receipt.

**Officials' Response:**

We did not receive a response from officials for the above finding.

**FINDING NUMBER 2008-002**

**Noncompliance**

**Ohio Revised Code, Section 135.18**, states that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities. The Township did not provide adequate collateral to cover its deposits at all times during the audit period. During the audit period deposits exceeded legal security (FDIC and pledged collateral) by up to \$100,117. Failure to adequately collateralize deposits can result in loss of funds. We recommend the Township secure adequate collateral throughout the year to cover its deposits.

**Officials' Response:**

We did not receive a response from officials for the above finding.

**FINDING NUMBER 2008-003**

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2007 and 2008 actual receipts were less than estimated receipts and the deficiency reduced available resources below the current level of appropriation. Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. We recommend that the Township monitor estimated and actual receipts and obtain amendments when required.

<b>Fund</b>	<b>Appropriations</b>	<b>Available Resources</b>	<b>Variance</b>
Road & Bridge Fund at 12/31/07	\$140,600	\$134,837	\$5,763
Cemetery Fund at 12/31/07	122,008	112,613	9,395
Cemetery Fund at 12/31/08	114,500	104,939	9,561

**Ohio Revised Code, Section 5704.40**, states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation and that no appropriation for any purpose shall be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations certified from or against the appropriation. The Trustees did not approve all adjustments to appropriations made by the Fiscal Officer during the audit period. The Trustees did approve amended appropriations in the December 12, 2007 minutes; however, the minutes did not include detail of the appropriation amendments. Therefore, we could not verify that the December 2007 amendments per the system matched with the December 12, 2007 approval in the minutes. Also, on October 8, 2008, the Trustees approved transferring appropriations of \$40,000 from Fund 2193 (Cemetery Stone Restoration) to Fund 2041 (Cemetery). The Fiscal Officer did not post this appropriation transfer to the system.

**FINDING NUMBER 2008-003  
 (Continued)**

Failure to have all supplemental appropriations approved by the Trustees may result in misappropriation of funds and inadequate monitoring of the budget. We recommend that the Trustees formally approve all appropriation amendments. The Township should document the details of the amendments in the minutes. The Fiscal Officer should post all approved appropriation amendments to the system.

**Estimated Resources & Appropriations:**

As the result of prior audit procedures, the Township posted fund balance adjustments to their system during 2007. As a result, the Township's budgetary documents included incorrect beginning fund balances for January 1, 2007. The Township failed to obtain amended budgetary documents after they posted the fund balance adjustments. The Township should have obtained an amended certificate of the total amount available for expenditures and an amended certificate of estimated resources subsequent to posting the fund balance adjustments to the system.

Also, the Township failed to properly post estimated resources and appropriations to the system as follows:

<b>Estimated Resources</b>	<b>Per Certificate of Estimated Resources</b>	<b>Amount Posted to System</b>	<b>Variance</b>
General Fund – 2007	\$72,000	\$89,800	\$17,800
Road & Bridge Fund - 2008	130,285	114,000	16,285

<b>Appropriations</b>	<b>Per Appropriation Resolution</b>	<b>Amount Posted to System</b>	<b>Variance</b>
General Fund – 2008	\$93,991	\$102,391	\$8,400

Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Township properly post estimated receipts and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and the Trustees should compare the estimated resources and appropriations on the accounting system to the official documents.

**Ohio Revised Code, Section 5705.41(B)**, states that no taxing authority shall make any expenditures of money unless it has been appropriated as provided in such chapter. Expenditures and outstanding encumbrances exceeded appropriations as follows:

<b>Fund</b>	<b>Expenditures</b>	<b>Appropriations</b>	<b>Variance</b>
General Fund at 12/31/07	\$95,591	\$82,076	\$13,515
General Fund at 12/31/08	97,986	94,244	3,742

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Township limit expenditures to the appropriated amount.

**Ohio Revised Code, Section 5705.10(H)**, states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Township had a negative fund balance in the General Fund of \$3,550 at December 31, 2007 and \$7,543 at December 31, 2008 resulting from audit adjustments. Failure to properly monitor funds could result in financial difficulties for the Township. We recommend the Township monitor funds so that negative balances do not occur.



**FINDING NUMBER 2008-003  
(Continued)**

**Advances:**

Per Auditor of State Bulletin 97-003, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; the reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and advances must be approved by a formal resolution of the taxing authority of the subdivision. The Township made advances of \$3,700 in 2007 and advances of \$17,600 in 2008. The Township repaid all advances for 2007 and 2008 by year end. The Trustees did not approve any of the advances for 2007. Per the March 12, 2008 minutes, the Trustees approved having the Fiscal Officer advance funds as needed until the Township received the semi-annual tax disbursement. However, the Trustees did not specifically approve any of the advances for 2008. Failure to properly approve advances could result in the misuse of funds and negative cash balances. We recommend that the Township follow the guidance provided in Auditor of State Bulletin 97-003. The Trustees should approve all advances by specific, formal resolution.

The Township advanced \$5,000 from the General Fund to the Cemetery Fund on August 31, 2006. This advance was not repaid by December 31, 2008. We recommend that the Township monitor the unpaid advance. The Township should either repay the advance or reclassify the advance as a transfer as provided by Auditor of State Bulletin 1997-003.

**Officials' Response:**

We did not receive a response from officials for the above finding.

**FINDING NUMBER 2008-004**

**Material Weakness/Noncompliance**

**Ohio Revised Code, Section 505.24(C)**, sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-036. This section requires compensation of a township trustee must be paid from the Township General Fund or from such other township funds, in such proportions as the Board may specify by resolution. In addition, trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. The requirements of Ohio Rev. Code Section 505.24(C) were noted in the Harrison Township Management Letter for the years ending December 31, 2006 and 2005, which was released on November 20, 2007.

The Township paid the Trustees from funds other than the General Fund during the audit period. The Township did not maintain documentation to support charging the Trustees' salaries to these restricted funds. For 2007 the Township charged \$15,012 to the Gasoline Tax Fund and \$10,008 to the Cemetery Fund. For 2008 the Township charged \$157 to the Gasoline Tax Fund. The accompanying financial statements include fund balance adjustments for these unsupported charges. The Township's accounting records have also been adjusted to reflect the necessary adjustments.

**FINDING NUMBER 2008-004  
(Continued)**

Failure to document the fund to which the Township will charge the Trustees' salaries will result in fund balance adjustments. We recommend the Township adopt formal administrative procedures regarding documenting the time spent by Trustees on various duties and the funds to which each task should be charged. The Township should adopt a resolution specifying that the Township will allocate salaries based upon documentation submitted by each Trustee or all salaries will be paid from the General Fund.

**Officials' Response:**

We did not receive a response from officials for the above finding.

**HARRISON TOWNSHIP  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Failure to properly post receipts  Ohio Rev. Code Section 5705.10, negative fund balance	No  No	Not corrected – reissued as Finding 2008-001  Not corrected – reissued as part of Finding 2008-003
2006-002	Ohio Rev. Code Section 5705.41(D), failure to properly certify funds	No	Partially corrected – reissued as management letter citation
2006-003	Ohio Rev. Code Section 135.18, failure to properly collateralize funds	No	Not corrected – reissued as Finding 2008-002

2006-004	Ohio Rev. Code Section 5705.34, failure to authorize tax levies by the required date	Yes	Not corrected – reissued as Finding 2008-003
	Ohio Rev. Code Section 5705.40, failure to properly approve appropriation amendments	No	
	Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations	No	
	Ohio Rev. Code Section 5705.39, appropriations exceeded estimated resources	Yes	
	Ohio Rev. Code Section 5705.38(A), failure to approve annual appropriations by the required date	Yes	
	Ohio Rev. Code Section 5705.36(A)(4), appropriations exceeded available fund balance	No	
	Failure to properly approve advances	No	
	Failure to properly adjust fund balances	Yes	
Failure to properly post estimated resources	No	Not corrected – reissued as Finding 2008-003	



**Mary Taylor, CPA**  
Auditor of State

**HARRISON TOWNSHIP**

**PREBLE 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  
JULY 7, 2009**