



Dave Yost • Auditor of State

HARRISON TOWNSHIP
GALLIA 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, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	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>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	20

This page intentionally left blank.



Dave Yost • Auditor of State

Harrison Township
Gallia County
6613 State Route 218
Gallipolis, Ohio 45631

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.

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

Dave Yost
Auditor of State

February 24, 2011

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township
Gallia County
6613 State Route 218
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, 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, Gallia County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 8, fund balances for the General and certain Special Revenue Funds were restated as of January 1, 2008 due to theft and improper posting of a prior period adjustment by the Township.

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 February 24, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

February 24, 2011

**HARRISON TOWNSHIP
GALLIA COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$10,653	\$21,850	\$32,503
Charges for Services	375	2,000	2,375
Intergovernmental	39,564	100,867	140,431
Earnings on Investments	50	88	138
Miscellaneous		3,894	3,894
		<hr/>	<hr/>
Total Cash Receipts	<hr/> 50,642	<hr/> 128,699	<hr/> 179,341
Cash Disbursements:			
Current:			
General Government	23,123	5,358	28,481
Public Safety		14,210	14,210
Public Works	76	99,983	100,059
Health	5,215		5,215
Human Services	1,950		1,950
Capital Outlay	3,427	1,450	4,877
		<hr/>	<hr/>
Total Cash Disbursements	<hr/> 33,791	<hr/> 121,001	<hr/> 154,792
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> 16,851	<hr/> 7,698	<hr/> 24,549
Other Financing Receipts / (Disbursements):			
Other Financing Sources	714	274	988
Other Financing Uses	(5,701)	(848)	(6,549)
		<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	<hr/> (4,987)	<hr/> (574)	<hr/> (5,561)
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	11,864	7,124	18,988
Fund Cash Balances, January 1	<hr/> (5,546)	<hr/> 62,664	<hr/> 57,118
Fund Cash Balances, December 31	<hr/> \$6,318	<hr/> \$69,788	<hr/> \$76,106
Reserved for Encumbrances, December 31	<hr/> \$0	<hr/> \$0	<hr/> \$0

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

**HARRISON TOWNSHIP
GALLIA 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$8,870	\$20,371	\$29,241
Charges for Services		2,000	2,000
Intergovernmental	36,816	142,047	178,863
Earnings on Investments	79	143	222
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	45,765	164,561	210,326
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	26,852	4,928	31,780
Public Safety		56,415	56,415
Public Works	131	98,512	98,643
Health	5,556		5,556
Capital Outlay	4,348	15,665	20,013
Debt Service:			
Redemption of Principal		4,469	4,469
Interest and Other Fiscal Charges		71	71
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	36,887	180,060	216,947
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	8,878	(15,499)	(6,621)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts / (Disbursements):			
Sale of Notes		4,469	4,469
Other Financing Sources	261	7,786	8,047
Other Financing Uses	(3,374)	(281)	(3,655)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(3,113)	11,974	8,861
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	5,765	(3,525)	2,240
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1, as restated	(11,311)	66,189	54,878
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>(\$5,546)</u>	<u>\$62,664</u>	<u>\$57,118</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$5,544</u>	<u>\$5,544</u>

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

**HARRISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, Gallia County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits

The Township invests all available funds in an interest bearing checking account.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is 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.

2. Special Revenue Funds

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

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

Fire Fund - This fund receives tax money for maintaining Township fire protection.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus encumbered 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 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.

2. Equity in Pooled 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:

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$ 76,106</u>	<u>\$ 57,118</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation and are collateralized by securities specifically pledged by the financial institution to the Township.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,071	\$51,356	\$19,285
Special Revenue	118,555	128,973	10,418
Total	\$150,626	\$180,329	\$29,703

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,424	\$39,492	\$12,932
Special Revenue	183,957	121,849	62,108
Total	\$236,381	\$161,341	\$75,040

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,813	\$46,026	\$5,213
Special Revenue	151,779	176,816	25,037
Total	\$197,489	\$227,742	\$30,253

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,547	\$40,261	\$16,286
Special Revenue	217,967	185,885	32,082
Total	\$274,514	\$226,146	\$48,368

5. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Township Board of 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.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Property Tax (Continued)

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.

6. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

7. Risk Management

Risk Pool Membership

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

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**HARRISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

Risk Pool Membership (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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

<u>Contributions to OTARMA</u>	
<u>2009</u>	<u>2008</u>
\$3,748	\$3,987

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.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Restatement of Beginning Balances

In 2008, the Township corrected a posting error made in 2007 resulting in changes to the January 1, 2008 fund balances that reduced the General Fund balance by \$1,783 and increased the Special Revenue Fund balance by \$1,783. In addition, the January 1, 2008 General Fund balance was reduced by \$25,263 due to theft occurring in 2007 and identified during the 2008-2009 audit. The resulting changes to fund balances are as follows:

Fund Type	12/31/2007 Balance	Amount	Restated 1/1/2008 Balance
General Fund	\$ 15,735	\$ (27,046)	\$ (11,311)
Motor Vehicle LicenseTax Fund	5,605	(1,783)	3,822
Gasoline Tax Fund	48,507	5,422	53,929
Miscellaneous Special Revenue	1,856	(1,856)	0



Dave Yost • Auditor of State

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

Harrison Township
Gallia County
6613 State Route 218
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 24, 2011, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the January 1, 2008 fund balances of the General and certain Special Revenue Funds were restated due to theft and improper posting of a prior period adjustment by the Township. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2009-004 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2009-003 described in the accompanying Schedule of Findings to be a significant deficiency.

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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated February 24, 2011.

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.

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



Dave Yost
Auditor of State

February 24, 2011

**HARRISON TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

Noncompliance Citation and Finding for Recovery

Over a period of several years, Brenda Cremeens, wife of Terry Cremeens, Township Fiscal Officer, converted Township funds for personal use by manually preparing checks from a higher check number sequence and forging the signatures of the Fiscal Officer and Trustees. All checks were payable to Terry Cremeens. In order to conceal the theft, Mrs. Cremeens tampered with the bank statements, removing the checks listed as cleared and the bank's images of those checks. She also altered the beginning and ending bank balances and activity for the month. Mrs. Cremeens then made copies of the statements from which Mr. Cremeens used for reconciling with the books. Upon confirmation of bank balances, the following differences between the ending balances per the bank and those on the altered statements used to reconcile the Township's books were as follows:

	<u>Per Client</u>	<u>Per Bank</u>	<u>Accumulated Difference</u>
December 31, 2007	\$88,265.52	\$63,002.98	(\$25,262.54)
December 31, 2008	100,140.92	71,504.77	(28,636.15)
December 31, 2009	122,474.59	88,137.00	(34,337.59)

In accordance with the foregoing facts, and pursuant to the Ohio Rev. Code Section Section 117.28, a Finding for Recovery for public money converted or misappropriated is hereby issued against Brenda Cremeens, in the amount of \$34,337, and in favor of the Harrison Township General Fund for \$34,337.

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 liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

The Township Fiscal Officer, Terry Cremeens, and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of \$34,337 and in favor of the Harrison Township General Fund to the extent that recovery is not obtained from Brenda Cremeens.

In January 2011, Brenda Cremeens admitted to the theft in a statement provided to the Auditor of State and Gallia County Prosecutor. As of February 24, 2011, Terry Cremeens has paid \$3,328.92 in to the Township General Fund as restitution.

Officials' Response: Due to ongoing legal reasons, the Township chose not to respond to this finding.

HARRISON TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2009-002

Noncompliance Finding

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 2009, we tested seven checks, which, individually or in the aggregate, could have contributed to a material misstatement in the financial presentation. Two of these seven expenditures were not encumbered prior to obligation. In 2008, we tested seven checks, which, individually or in the aggregate, could have contributed to a material misstatement in the financial presentation. One of these seven expenditures was not encumbered prior to obligation.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-002 (Continued)

Noncompliance Finding - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

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

We recommend that no orders involving the expenditure of money be made unless the Fiscal Officer has certified that the amount required has been lawfully appropriated and is in the treasury or in the process of collection.

Officials' Response: The Township Officials will take the necessary steps to ensure future compliance.

FINDING NUMBER 2009-003

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2009, General Fund estimated revenue as approved by the Budget Commission was \$4,000 less than the amount posted to the accounting system and financial statements.

At December 31, 2008, estimated revenue as approved by the Budget Commission did not agree to the Township's accounting system and financial statements for three funds. The variances and funds are as follows:

Fund	Estimated Revenue Approved by Budget Commission	Estimated Revenue Posted to UAN System	Variance
Gasoline Tax	\$59,054	\$82,161	\$23,107
Fire	73,773	90,758	16,985
Miscellaneous Special Revenue	2,556	0	(2,556)

At December 31, 2008, Fire Fund appropriations posted to the accounting system and financial statements exceeded the formally adopted appropriations by \$23,104.

Due to budgetary information being improperly entered into the system, the management of the Township lost some degree of budgetary control.

**HARRISON TOWNSHIP
GALLIA COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003 (Continued)

Significant Deficiency - Reporting of Approved Budgetary Information (Continued)

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

Officials' Response: The Township Officials will monitor this more closely in the future.

FINDING NUMBER 2009-004

Material Weakness

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

As a result of the audit procedures performed, we noted the following errors in the financial statements that required audit adjustment or reclassification:

2008:

- The Township received \$19,300 in the form of an on-behalf payment for turn-out gear. The entire cost of the gear was \$42,304. The Fiscal Officer posted only the portion paid with Township Fire Levy funds (\$23,004) as Other Financing Uses in the Fire Levy Fund. An audit adjustment to reclassify the expenditure as a Public Safety expenditure was made as well as an adjustment to recognize the receipt of \$19,300 and corresponding expenditure for the gear.
- The Fiscal Officer did not post the receipt of \$4,469 in debt proceeds or the subsequent debt payment of the same amount to the Fire Fund. Additionally, interest of \$71 relating to the debt was posted as Capital Outlay rather than Debt Interest. An adjustment was made to report the issue and subsequent repayment of debt as well as to reclassify the interest.
- The Fiscal Officer posted audit adjustments relating to the 2007 – 2006 audit as transfers between funds rather than as prior period adjustments to the January 1, 2008 fund balances. An adjustment to reverse these transfers and reflect the change in the January 1, 2008 fund balance was made.
- An adjustment to bring on unrecorded encumbrances at year end in the amount of \$5,540 in the Gas Tax fund.
- A fund adjustment to allocate Trustee salaries according to the approved resolution in the absence of adequate documentation to make the required allocation in the amount of \$2,739 in the General Fund and \$615 in the Motor Vehicle License Tax Fund in favor of the Gasoline Tax fund in the amount of \$3,354.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-004 (Continued)

Material Weakness – Financial Reporting

2009:

- Adjustments were proposed for the General Fund's January 1, 2008, December 31, 2008 and December 31, 2009 fund balance to report the cumulative decrease of \$34,337 resulting from theft perpetrated between 2007 and December 31, 2009.

The audited financial statements and the Township's accounting system reflect the above adjustments.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Fiscal Officer review the Township Manual for guidance on the correct line item to post various receipts and expenditures of the Township.

Officials' Response: The Township Officials will monitor this more closely in the future.

**HARRISON TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Section 505.24 Significant Deficiency for not documenting trustee time.	No	Partially corrected. Reissued in the current Management Letter
2007-002	Ohio Rev. Code Section 5705.39 for appropriations exceeding estimated revenue.	Yes	
2007-003	Ohio Rev. Code Section 5705.41(B) for expenditures exceeding appropriations.	Yes	
2007-004	Ohio Rev. Code Section 5705.41(D)(1) not certifying availability of funds prior to incurring an obligation.	No	Not corrected. Re-issued in the current Schedule of Findings as Finding 2009-002
2007-005	Significant Deficiency – Integrating budgetary amounts into the financial system.	No	Not corrected. Re-issued in the current Schedule of Findings as Finding 2009-003



Dave Yost • Auditor of State

HARRISON TOWNSHIP

GALLIA 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
MARCH 15, 2011**