

**HARRISON TOWNSHIP
PERRY COUNTY**

AUDIT REPORT

JANUARY 1, 2009 – DECEMBER 31, 2010

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Board of Trustees
Harrison Township
12823 Twp Rd 1001 NE
Crooksville, Ohio 43731

We have reviewed the *Independent Auditors' Report* of Harrison Township, Perry County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost
Auditor of State

November 23, 2011

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**HARRISON TOWNSHIP
PERRY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – December 31, 2010	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – December 31, 2009	4
Notes to Financial Statements	5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12
Schedule of Findings	14
Schedule of Prior Audit Findings	19

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WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Harrison Township
Perry County
12823 Twp Road 1001 NE
Crooksville, Ohio 43731

We have audited the accompanying financial statements of Harrison Township, Perry County as of and for the years ended December 31, 2010 and 2009. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above for the years ending December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Harrison Township as of December 31, 2010 and 2009, 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 reserve for encumbrances of Harrison Township, Perry County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 a report dated September 12, 2011, on our consideration of Harrison Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 12, 2011

**HARRISON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 19,625	\$ 147,109	\$ 166,734
Charges for Services	-	19,100	19,100
Licenses, Permits, and Fees	47,094	-	47,094
Intergovernmental	27,213	119,806	147,019
Earnings on Investments	447	132	579
Miscellaneous	1,239	12,517	13,756
Total Cash Receipts	<u>95,618</u>	<u>298,664</u>	<u>394,282</u>
Cash Disbursements:			
Current:			
General Government	60,989	-	60,989
Public Safety	-	96,405	96,405
Public Works	-	129,336	129,336
Health	-	69,050	69,050
Total Cash Disbursements	<u>60,989</u>	<u>294,791</u>	<u>355,780</u>
Total Cash Receipts Over/(Under) Cash Disbursements	34,629	3,873	38,502
Fund Cash Balances, January 1	<u>76,971</u>	<u>67,231</u>	<u>144,202</u>
Fund Cash Balances, December 31	<u>\$ 111,600</u>	<u>\$ 71,104</u>	<u>\$ 182,704</u>
Reserve For Encumbrances, December 31	<u>\$ 157</u>	<u>\$ 494</u>	<u>\$ 651</u>

See notes to financial statements.

**HARRISON TOWNSHIP
PERRY 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	\$ 18,969	\$ 141,803	\$ 160,772
Charges for Services	-	22,575	22,575
Licenses, Permits, and Fees	12,009	-	12,009
Intergovernmental	28,379	127,984	156,363
Earnings on Investments	356	150	506
Miscellaneous	50	9,913	9,963
Total Cash Receipts	<u>59,763</u>	<u>302,425</u>	<u>362,188</u>
Cash Disbursements:			
Current:			
General Government	55,547	-	55,547
Public Safety	-	92,846	92,846
Public Works	-	163,259	163,259
Health	-	63,309	63,309
Total Cash Disbursements	<u>55,547</u>	<u>319,414</u>	<u>374,961</u>
Total Cash Receipts Over/(Under) Cash Disbursements	4,216	(16,989)	(12,773)
Fund Cash Balances, January 1	<u>72,755</u>	<u>84,220</u>	<u>156,975</u>
Fund Cash Balances, December 31	<u>\$ 76,971</u>	<u>\$ 67,231</u>	<u>\$ 144,202</u>
Reserve For Encumbrances, December 31	<u>\$ 157</u>	<u>\$ 494</u>	<u>\$ 651</u>

See notes to financial statements.

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Township of Harrison, Perry County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees and a publicly elected Fiscal Officer. The Township provides general governmental services including road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Roseville and the Village of Crooksville to provide fire protection and emergency medical services. Police protection is provided by the Perry County Sheriff's Department.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for this entity. These organizations are:

Jointly Governed Organizations:
Harrison Township Union Cemetery

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 exceeding the member's deductible

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

B. Basis of Accounting

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

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

C. Cash and Investments

All funds are maintained 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:

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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

Gasoline Tax Fund – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

Road and Bridge Fund – This fund receives levied property tax monies for constructing, maintaining and repairing Township roads and bridges.

Fire Fund – This fund receives levied property tax monies for fire protection services.

EMS Fund – This fund receives levied property tax monies for emergency medical services.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

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.

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated in the subsequent year.

A Summary of 2010 and 2009 budgetary activity appears in Note 4.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

2. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE

Last audit period the Township reported fund financial statements by fund type using the cash basis of accounting presenting each major fund in a separate column with non-major funds aggregated and presented in a single column. This audit period the Township has implemented the cash basis of accounting. The fund financial statements now present each fund type in a separate column under the regulatory basis of accounting as prescribed by the State Auditor's Office. There was no restatement of fund equity due to this change.

3. EQUITY IN POOLED CASH

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

	2010	2009
Demand Deposits	<u>\$ 182,704</u>	<u>\$ 144,202</u>

Deposits:

Deposits are either 1) insured by the Federal Depository Insurance Corporation or 2) collateralized by the financial institution's public entity deposit pool.

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 was as follows:

2010 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 72,671	\$ 95,618	\$ 22,947
Special Revenue	<u>308,626</u>	<u>298,664</u>	<u>(9,962)</u>
Total	<u>\$ 381,297</u>	<u>\$ 394,282</u>	<u>\$ 12,985</u>

2010 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 61,146	\$ (61,146)
Special Revenue	<u>-</u>	<u>295,285</u>	<u>(295,285)</u>
Total	<u>\$ -</u>	<u>\$ 356,431</u>	<u>\$ (356,431)</u>

2009 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ -	\$ 59,763	\$ 59,763
Special Revenue	<u>-</u>	<u>302,425</u>	<u>302,425</u>
Total	<u>\$ -</u>	<u>\$ 362,188</u>	<u>\$ 362,188</u>

2009 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ -	\$ 55,704	\$ (55,704)
Special Revenue	<u>-</u>	<u>319,908</u>	<u>(319,908)</u>
Total	<u>\$ -</u>	<u>\$ 375,612</u>	<u>\$ (375,612)</u>

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY (CONTINUED)

Contrary to ORC Section 5705.36, the Township did not obtain certificates of estimated resources from the Perry County Auditor for 2009.

Contrary to Ohio Revised Code Section 5705.38, the legislative authority of the Township did not formally approve or file appropriations for 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.41 (B), all funds had expenditures exceeding appropriations in 2010 and 2009.

Contrary to Ohio Revised Code Section 5705.41(D), in 2010 and 2009 the Township had fiscal certificates that were dated after invoices.

5. PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the county by December 31. If the property owner elects to make semiannual payments, 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 June 30.

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

6. RETIREMENT SYSTEMS

The Township's Trustees, Clerk and other employees of the Township belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of PERS contributed 10.0% and 10.0% of their gross salaries, respectively. The Township contributed an amount equal to 14.00% and 14.00% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2010.

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

7. HARRISON TOWNSHIP UNION CEMETERY

The Township is affiliated with the Harrison Township Union Cemetery. The Board of Trustees of the Union Cemetery is appointed by the Village of Crooksville and Harrison Township. Taxes levied by Harrison Township for cemetery maintenance are collected by Perry County, and distributed to the Township, which then distributes the proceeds to the Union Cemetery. The Union Cemetery is a legally separate entity that prepares and files its own financial statements. The financial activity of the Union Cemetery is not included in the accompanying financial statements. Independent audits of the Union Cemetery are performed by the Auditor of State.

8. 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. American Risk Pool 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 and covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

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

**HARRISON TOWNSHIP
PERRY COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS

8. RISK MANAGEMENT (CONTINUED)

At December 31, 2009 and 2008, respectively, the 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 \$5,316.

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

<u>Contributions to OTARMA</u>	
2008	\$3,214
2009	3,784
2010	2,658

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.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Harrison Township
Perry County
12823 Twp Road 1001 NE
Crooksville, Ohio 43731

We have audited the financial statements of Harrison Township, Perry County, Ohio, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 12, 2011, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Harrison 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.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2010-001 to 2010-003 and 2010-005 to 2010-007 described in the accompanying schedule of findings to be material weaknesses.

We noted other matters involving internal control over financial reporting, which we have reported to management of the Harrison Township in a separate letter dated Separate 12, 2011.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harrison Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed five instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-001 to 2010-004 and 2010-007.

We noted certain immaterial instances of noncompliance that we have reported to the management of Harrison Township in a separate letter dated September 12, 2011.

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

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 12, 2011

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-001

Noncompliance Citation /Material Weakness

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

There was no evidence presented for audit to indicate that the Fiscal Officer certified the amount available for expenditures with the County Auditor for 2009.

We recommend the Fiscal Officer certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances from the preceding year. This should be done on or about the first day of the year.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2010-002

Noncompliance Citation /Material Weakness

Ohio Revised Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official certificate.

There was no evidence presented for audit to indicate that an annual appropriation measure was approved by the Township Trustees or submitted to the County Auditor for 2010 or 2009. It appears that a temporary appropriation measure was passed in January 2010 and 2009 for each year, but an annual appropriation measure was not passed.

We recommend the Township Trustees approve, and state in the minutes as evidenced of approval, an appropriation measure on or about the first of the year. This appropriation measure should be submitted to the County Auditor by the same date.

Client Response: We agree with finding and will try to improve in the future.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-003

Noncompliance Citation /Material Weakness

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated.

All expenditures made during 2010 and 2009 were made without properly being appropriated. This amounted to \$356,431 and \$375,612, respectively, being expended each year without any budgetary expenditure amount being passed to restrict expenditures.

We recommend the Township Trustees approve, and state in the minutes as evidence of approval, an appropriation measure on or about the first day of the year. This appropriation measure should be submitted to the County Auditor by the same date. The Fiscal Officer should deny any payment that would cause expenditures to exceed appropriations.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2010-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of Fiscal Officer of the subdivision. The Fiscal Officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 25.0% in 2010 and 39.3% in 2009 of the expenditures tested.

The Fiscal Officer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued 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 council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Township can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Fiscal Officer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Fiscal Officer without subsequent authorization from the Council. However, then and now certificates issued by the Fiscal Officer over \$3,000, must be authorized by the Council within thirty days after payment.

Client Response: We agree with finding and will try to improve in the future.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-005

Material Weakness – Monitoring of Financial Activity

A well-designed system of internal control will include monitoring of financial information and reports by the governing board in order to compensate for any lack of segregation of duties.

The size of the Township's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is, therefore, important that the Board of Trustees monitor financial activity closely.

During the audit period, there was no documentation of the extent to which the Trustees reviewed financial information to monitor the financial activity of the Township. The lack of monitoring by the Board of Trustees was evidenced by unexplained significant reconciling items being included on the Township's bank reconciliations and budgetary information not being posted to the accounting system. We also noted several instances where receipts were deposited but not posted to the UAN system in a timely manner.

Failure to monitor financial activity resulted in unexplained long outstanding reconciling items not being investigated and corrected in a timely fashion. This contributed, in part, to the Township incurring increased audit costs for these items to be investigated so that the necessary assurances could be gained over the Township's financial statements. In addition, this could result in additional errors and/or irregularities occurring and remaining undetected for an extended period of time.

We recommend the Board of Trustees review monthly bank reconciliations. The completion of this procedure should be noted in the Township's minutes and documented by the Trustees' signatures or initials and date and maintained on file as evidence of this review. Additionally, the Board of Trustees should carefully review and approve pertinent financial information, such as the cash journal, appropriation ledger, receipts ledger, etc., on a monthly basis, and make appropriate inquiries to help to determine the reasonableness, accuracy, and continued integrity of financial information.

Client Response: The Trustees will monitor monthly activity more closely.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-006

Material Weakness – Bank Reconciliations

In order to ensure the completeness over the Township's financial statements and reports, bank reconciliations should be performed on a monthly basis. The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Township's accounting system.

The Township's bank reconciliations during the audit period contained significant reconciling factors labeled as "other adjusting factors." These factors ranged from \$45 up to \$37,653 on the Township's monthly reconciliations. The Fiscal Officer failed to follow up on these variances each month and, therefore, differences between the Township's bank balance and book balance accumulated. Through additional audit procedures, we noted these variances were a result of transactions processed by the bank which were not properly posted to the Township's accounting system. In addition, we noted outstanding checks were included on the Township's outstanding check listing which were dated as far back as 2001.

The failure to investigate and identify variances and old reconciling items as part of the monthly reconciliation process could result in errors and/or irregularities occurring and remaining undetected. This also results monthly financial reports being misleading due to these reports, including the incorrect balances for each fund. During the current audit period, this resulted in significant audit adjustments being made to the Township's financial statements and also resulted in time spent by auditors in identifying and investigating these variances.

We recommend the Fiscal Officer perform bank reconciliations on a monthly basis. In order for the reconciliation process to be effective, variances should be promptly investigated and corrected as part of the reconciliation process. In addition, we recommend the Board of Trustees review the Township's bank reconciliations each month to monitor for unusual items and to ensure variances are corrected on a timely basis.

Client Response: Bank reconciliations will be monitored more closely and variances will be reconciled. Trustees will sign off on the bank reconciliations.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010**

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

FINDING NUMBER 2010-007

Noncompliance Citation / Material Weakness

Proper Classification of Receipts and Expenditures

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should 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 and finance-related legal and contractual requirements and prepare financial statements.

The testing of receipts and expenditures revealed that several items were not properly classified by the Township Fiscal Officer. All of these items required reclassification. Items requiring reclassification included Property and Other Local Taxes, Intergovernmental Revenue, General Government, Public Safety, Public Works, Health and Capital Outlay.

The Township Fiscal Officer should review the account code classifications in the UAN system and the "Ohio Township Handbook" chart of accounts and post receipts and expenditures to the proper line item account codes and fund. This will help ensure receipts and expenditures are properly reflected in the financial statements. In addition, fairly presented financial statements provide the Township Trustees with the ability to analyze information in a consistent manner which aids in making informed financial decisions regarding Township operations.

The Fiscal Officer should input the correct estimated receipts into the proper line item accounts on the budgetary system once they have been certified by the Budget Commission and the correct appropriation amounts into the proper line item accounts on the budgetary system once they have been approved by the Board. Monthly comparisons of budgeted and actual revenue and expenditures for all funds should be presented to the Board to allow for monitoring of fiscal operations of the Township. The Board of Trustees should review these reports for significant variances from expectations.

Client Response: The Fiscal Officer will review the account code classification in the UAN system.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	ORC 5705.36 - Certifying Amount Available for Expenditures	No	Not Corrected - Refer to Finding 2010-001
2008-002	ORC 5705.38 - Passing Annual Appropriation Measure	No	Not Corrected - Refer to Finding 2010-002
2008-003	ORC 5705.41(B) - Expenditures Exceed Appropriations	No	Not Corrected - Refer to Finding 2010-003
2008-004	ORC 5705.41(D) - Expenditures Made Without Prior Certification	No	Not Corrected - Refer to Finding 2010-004

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Dave Yost • Auditor of State

HARRISON TOWNSHIP

PERRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 8, 2011**