



Dave Yost • Auditor of State



HARRISON TOWNSHIP  
MUSKINGUM COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Harrison Township  
Perry County  
12823 Township Road 1001 NE  
Crooksville, OH 43731-9724

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2015, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Government's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2015, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Basis for Additional Opinion Qualifications***

General Fund cash disbursements are reported at \$349,103, \$154,277, and \$251,329 for the years ended December 31, 2015, 2014 and 2013, respectively, and Special Revenue Fund cash disbursements are reported at \$317,247, \$298,293, and \$317,558 for the years ended December 31, 2015, 2014 and 2013, respectively, which is 100 percent of General Fund and Special Revenue Fund disbursements for the years ended December 31, 2015, 2014 and 2013.

Miscellaneous receipts are reported at \$16,750, \$21,499 and \$53,324 for the years ended December 31, 2015, 2014 and 2013, respectively, which are five, six and 14 percent of Special Revenue Fund receipts for the years ended December 31, 2015, 2014 and 2013, respectively.

We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as cash disbursements and miscellaneous receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualifications***

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualifications* paragraphs, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Harrison Township, Perry County, Ohio, as of December 31, 2015, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the Township corrected its fund balances at January 1, 2013 for expenditures that were previously reported by the Township but not made. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2017 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

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

February 13, 2017

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**HARRISON TOWNSHIP  
PERRY COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$23,860	\$196,997	\$220,857
Licenses, Permits and Fees	154,431	0	154,431
Intergovernmental	28,173	95,859	124,032
Earnings on Investments	173	26	199
Miscellaneous	0	16,750	16,750
<i>Total Cash Receipts</i>	<u>206,637</u>	<u>309,632</u>	<u>516,269</u>
<b>Cash Disbursements</b>			
Current:			
General Government	212,877	162,801	375,678
Public Safety	0	3,245	3,245
Public Works	0	129,822	129,822
Health	911	21,379	22,290
Conservation-Recreation	71,056	0	71,056
Capital Outlay	64,259	0	64,259
<i>Total Cash Disbursements</i>	<u>349,103</u>	<u>317,247</u>	<u>666,350</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(142,466)</u>	<u>(7,615)</u>	<u>(150,081)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	11,638	0	11,638
<i>Total Other Financing Receipts (Disbursements)</i>	<u>11,638</u>	<u>0</u>	<u>11,638</u>
<i>Net Change in Fund Cash Balances</i>	(130,828)	(7,615)	(138,443)
<i>Fund Cash Balances, January 1</i>	<u>252,787</u>	<u>204,708</u>	<u>457,495</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	211,838	211,838
Assigned	10,015	0	10,015
Unassigned	111,944	(14,745)	97,199
<i>Fund Cash Balances, December 31</i>	<u>\$121,959</u>	<u>\$197,093</u>	<u>\$319,052</u>

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

**HARRISON TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$24,123	\$198,921	\$223,044
Charges for Services	0	98	98
Licenses, Permits and Fees	137,030	0	137,030
Intergovernmental	21,614	121,236	142,850
Earnings on Investments	188	19	207
Miscellaneous	0	21,499	21,499
<i>Total Cash Receipts</i>	<u>182,955</u>	<u>341,773</u>	<u>524,728</u>
<b>Cash Disbursements</b>			
Current:			
General Government	80,023	177,901	257,924
Public Safety	0	3,425	3,425
Public Works	0	98,625	98,625
Health	852	18,342	19,194
Conservation-Recreation	37,235	0	37,235
Capital Outlay	36,167	0	36,167
<i>Total Cash Disbursements</i>	<u>154,277</u>	<u>298,293</u>	<u>452,570</u>
<i>Excess of Receipts Over Disbursements</i>	<u>28,678</u>	<u>43,480</u>	<u>72,158</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	6,864	0	6,864
<i>Total Other Financing Receipts (Disbursements)</i>	<u>6,864</u>	<u>0</u>	<u>6,864</u>
<i>Net Change in Fund Cash Balances</i>	35,542	43,480	79,022
<i>Fund Cash Balances, January 1</i>	<u>217,245</u>	<u>161,228</u>	<u>378,473</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	195,228	195,228
Committed	0	9,480	9,480
Assigned	741	0	741
Unassigned	252,046	0	252,046
<i>Fund Cash Balances, December 31</i>	<u><u>\$252,787</u></u>	<u><u>\$204,708</u></u>	<u><u>\$457,495</u></u>

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

**HARRISON TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$24,657	\$202,591	\$227,248
Licenses, Permits and Fees	122,585	0	122,585
Intergovernmental	70,370	128,662	199,032
Earnings on Investments	209	31	240
Miscellaneous	0	53,324	53,324
<i>Total Cash Receipts</i>	<u>217,821</u>	<u>384,608</u>	<u>602,429</u>
<b>Cash Disbursements</b>			
Current:			
General Government	132,555	157,546	290,101
Public Safety	0	5,566	5,566
Public Works	0	140,472	140,472
Health	392	13,974	14,366
Conservation-Recreation	78,382	0	78,382
Capital Outlay	40,000	0	40,000
<i>Total Cash Disbursements</i>	<u>251,329</u>	<u>317,558</u>	<u>568,887</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(33,508)</u>	<u>67,050</u>	<u>33,542</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	1,892	70	1,962
<i>Total Other Financing Receipts (Disbursements)</i>	<u>1,892</u>	<u>70</u>	<u>1,962</u>
<i>Net Change in Fund Cash Balances</i>	(31,616)	67,120	35,504
<i>Fund Cash Balances, January 1 - Restated</i>	<u>248,861</u>	<u>94,108</u>	<u>342,969</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	153,223	153,223
Committed	0	8,005	8,005
Unassigned	217,245	0	217,245
<i>Fund Cash Balances, December 31</i>	<u><u>\$217,245</u></u>	<u><u>\$161,228</u></u>	<u><u>\$378,473</u></u>

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

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**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013**

**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 the Harrison Township, Perry 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Crooksville and the Village of Roseville to provide fire services and emergency medical services.

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.

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.

Jointly Governed Organizations:

Harrison Township Union Cemetery

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

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

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

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

**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. 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 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.

A summary of 2015, 2014 and 2013 budgetary activity appears in Note 3.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

Fund balance is divided into four classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**2. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**3. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**4. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**H. 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.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	2015	2014	2013
Demand deposits	\$319,052	\$457,495	\$378,473

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2015, 2014 and 2013 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$190,726	\$218,275	\$27,549
Special Revenue	338,473	309,632	(28,841)
Total	\$529,199	\$527,907	(\$1,292)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$359,118	(\$359,118)
Special Revenue	0	318,617	(318,617)
Total	\$0	\$677,735	(\$677,735)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$197,631	\$189,819	(\$7,812)
Special Revenue	378,951	341,773	(37,178)
Total	\$576,582	\$531,592	(\$44,990)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$155,018	(\$155,018)
Special Revenue	0	299,902	(299,902)
Total	\$0	\$454,920	(\$454,920)



**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,735	\$219,713	\$114,978
Special Revenue	359,945	384,678	24,733
Total	\$464,680	\$604,391	\$139,711

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$251,329	(\$251,329)
Special Revenue	0	317,558	(317,558)
Total	\$0	\$568,887	(\$568,887)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund and all Special Revenue Funds for the years ended December 31, 2015, 2014 and 2013 as the Township failed to properly adopt legal appropriations.

**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.

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.

**5. RETIREMENT SYSTEM**

The Township's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015, 2014 and 2013, OPERS members contributed 10.0% of their wages, respectively. The Township contributed an amount equal to 14.0% of participant's gross salaries for 2015, 2014 and 2013, respectively. The Township has paid all contributions required through December 31, 2015.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
4,956	4,609

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.

**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 the 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. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. COMPLIANCE**

Contrary to 26 U.S.C. § 3102(a)(1), Ohio Rev. Code § 145.47 and Ohio Rev. Code § 5747.06, the Township failed to remit certain withholdings and employer contributions to the appropriate agencies related to federal and state income taxes and retirement and failed to substantiate the nature of differences between amounts remitted and amounts owed. In addition, the Township failed to maintain certain supporting documentation to support the allocation of Township Trustee compensation to funds other than the Township General Fund.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

**10. PRIOR PERIOD ADJUSTMENT**

The Township was previously carrying outstanding checks on its accounting system that were not mailed by the Fiscal Officer. This resulted in the Township's cash balances to be understated resulting in an adjustment to the financial statements as of January 1, 2013. The effects of the necessary adjustments on the Township's fund balances are as follows:

<u>Fund Type</u>	<u>Fund Cash Balance January 1, 2013</u>	<u>Adjustment</u>	<u>Restated Fund Cash Balance January 1, 2013</u>
General	\$213,659	\$35,202	\$248,861
Special Revenue	47,768	46,340	\$94,108
Total	<u>\$261,427</u>	<u>\$81,542</u>	<u>\$342,969</u>



# Dave Yost • Auditor of State

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

Harrison Township  
Perry County  
12823 Township Road 1001 NE  
Crooksville, OH 43731-9724

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Harrison Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated February 13, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We qualified our opinion on the Township's financial statements for the years ended December 31, 2015, 2014 and 2013 because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as Miscellaneous receipts in the Special Revenue Funds in the amounts of \$16,750, \$21,499 and \$53,324 for the years ended December 31, 2015, 2014 and 2013, respectively. We also qualified our opinion over cash disbursements reported by the Township because we were unable to obtain sufficient appropriate audit evidence supporting General Fund cash disbursements of \$349,103, \$154,277, and \$251,329 for the years ended December 31, 2015, 2014 and 2013, respectively; and Special Revenue Fund cash disbursements of \$317,247, \$298,293, and \$317,558, respectively.

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

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2015-004 through 2015-013 to be material weaknesses.

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***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, opining 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 2015-001 through 2015-004, 2015-006, and 2015-008 through 2015-012.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

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

February 13, 2017

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013**

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

**FINDING NUMBER 2015-001**

**Noncompliance**

26 U.S.C. § 3102(a)(1) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During our testing of the Township's cash reconciliations we noted a significant number of checks made payable to the Community Bank for Medicare and federal taxes which were never mailed or remitted. We noted 56 checks dated May 4, 2004 through December 31, 2012 totaling \$47,160, 11 checks for 2013 totaling \$10,421, 12 checks for 2014 totaling \$12,873, and 11 checks for 2015 totaling \$11,375 which were never mailed or remitted by the Township.

Failure to remit federal taxes in a timely fashion, as required, could subject the Township to significant penalties and interest.

The Fiscal Officer should remit the proper federal taxes and Medicare promptly to the Internal Revenue Service each period, as required, along with the employer share of Medicare. In addition, the Township should consult with the Internal Revenue Service in order to address the amounts currently owed.

This matter will be referred to the Internal Revenue Service for whatever action is deemed necessary.

**FINDING NUMBER 2015-002**

**Noncompliance**

Ohio Rev. Code § 145.47 requires each employer to withhold an amount, as determined by the public employees' retirement board, not to exceed ten percent from each employee's earnable salary that is a contributor to the retirement system. The required rate was ten percent for 2015, 2014 and 2013. Ohio Rev. Code § 145.48 states, in part, each employer shall pay to the public employees' retirement system an amount that shall have a certain percent of the earnable salary of all contributors to be known as the "employer contribution." The required rate was 14% for 2015, 2014 and 2013.

We recalculated amounts due to employees for each year and noted minor variances between amounts calculated and amounts remitted to OPERS. We noted variances of \$43, \$242, and (\$1,738) between our calculations and amounts paid for the years 2015, 2014 and 2013, respectively. We were unable to substantiate the nature or causes of these differences. Failure to properly withhold and remit the required withholdings and contributions could result in errors and/or irregularities occurring and remaining undetected and subject the Township to penalties and interest charges.

The Township should remit employee withholdings and employer contributions in a timely fashion to the Ohio Public Employees Retirement System as required. The Township Trustees should monitor these payments to ensure payments are being made timely and in the appropriate amounts.

This matter will be referred to OPERS for whatever action is deemed necessary.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003**

**Noncompliance**

Ohio Rev. Code § 5747.06 states that, except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

During our testing of the Township's cash reconciliations we noted a significant number of checks made payable to the Treasurer of State of Ohio for state taxes withheld which were never mailed or remitted. We noted 97 checks dated August 10, 2004 through December 31, 2012 totaling \$23,207, 11 checks for 2013 totaling \$2,417, 12 checks for 2014 totaling \$2,883, and 11 checks for 2015 totaling \$2,557 which were never mailed or remitted by the Township.

In addition, we noted variances between the amounts withheld and the aforementioned amounts for which checks were generated. During 2015, 2014 and 2013, the Township withheld state taxes in the amounts of \$2,791, \$2,633, and \$2,668, respectively. This resulted in variances of (\$233), \$251, and (\$251) for 2015, 2014 and 2013, respectively. We were unable to easily substantiate if payments made during each year were for the current periods or previous periods. The Township did not provide any documentation to support these variances. Failure to properly withhold and remit the withholdings could result in errors and/or irregularities occurring and remaining undetected and subject the Township to penalties and interest charges.

The Township should take the necessary action to correct any discrepancies and make payment of the amounts owed to the State of Ohio for taxes withheld. The Township should also ensure the transmittal of state income taxes is made timely to avoid possible late penalties and interest.

This matter will be referred to the Treasurer of the State of Ohio for whatever action is deemed necessary.

**FINDING NUMBER 2015-004**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.



**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-004 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 5705.38(A) (Continued)**

The Township adopted temporary appropriation measures on December 30, 2014, January 14, 2014, and January 15, 2013 for 2015, 2014, and 2013, respectively; however, no evidence was noted of annual appropriations being adopted for any of these years. This resulted in all expenditures exceeding legally adopted appropriations for each year. The failure to properly approve Township appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Board.

The Board of Trustees should adopt annual appropriation measure to meet the ordinary expenses of the Township each year. The approval of permanent appropriation should also be documented within the Township minutes. In addition, the Fiscal Officer should file the approved appropriation measure with the County Budget Commission.

**FINDING NUMBER 2015-005**

**Material Weakness**

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small 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 for the Board of Township Trustees to monitor financial activity closely and to follow up on any audit findings.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Township is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. The small size of the Township's staff did not allow for an adequate segregation of duties as the Township Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Township monies.

We noted no evidence of the monthly bank reconciliations being presented to the Trustees for approval. Furthermore, various items such as the improper handling of voided checks, the existence of long-outstanding items and large unexplained other adjusting factors on the Township's reconciliations, and the unusual length of time between the issuance of a check and when the check cleared the bank were noted. In addition, our review of the minutes noted instances in which financial reports were not documented as being reviewed and approved by the Board and instances where the minutes were not signed by the Fiscal Officer.

Failure to adequately monitor the activities of the Township by the Trustees could result in errors or irregularities to occur and remain undetected.

The Trustees should become more actively involved in monitoring the financial activity of the Township. Trustees should assure that the Fiscal Officer performs a monthly bank reconciliation. Trustees should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-005 (Continued)**

**Material Weakness (Continued)**

Trustees should also assure the Fiscal Officer maintains and presents the Board monthly with following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Supervisory reviews should be performed by Trustees and evidenced by the initials of each member performing the review and the date the review was performed. The presentation of these records and reviews by Trustees should also be noted in the Township's minutes.

As part of their review the Trustees should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

**FINDING NUMBER 2015-006**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24(C) states that, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

During 2013, the members of the Board of Township Trustees were paid from the Gasoline Tax Fund for the months of July through December. These payments for Trustees' salaries were not substantiated by supporting documentation nor was a certification on file to support the payment from the Gasoline Fund. This resulted in an adjustment of 2013 salaries totaling \$12,735 to the General Fund from the Gasoline Tax Fund.

This adjustment, to which management has agreed, is reflected in the accompanying financial statements.

We recommend, if the Board adopts, by unanimous vote, a method of compensation consisting of an annual salary, and the certifications of the percentage of time spent working on matters to be paid from the Township General Fund and from other township funds in such proportions as the kinds of services performed. Each Trustee's salary and fringe benefits should be allocated to the corresponding funds consistent with each certification, and certifications should be maintained on file.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-007**

**Material Weakness**

Ohio Admin. Code §117-2-02 requires all local public offices to maintain an accounting system and accounting records sufficient to enable the Township to identify, assemble, analyze, classify, record and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances. This includes management's approval of pay rates and policies for employees and agreement of amounts paid to the applicable supporting documents.

During the audit period, we noted no documentation related to the approved hourly rates for employees at the beginning of the audit period; however, we were able to gain assurances over the reasonableness of the rates.

In addition, for 2013, we noted the following discrepancies, between work documented on employee time sheets and hours paid as follows:

- A Township employee was paid on February 12, 2013 for 80 hours of services based upon the employee's hourly pay rate and gross pay; however, the time sheets documented 92 hours of work was performed.
- A Township employee was paid on March 26, 2013 for 67 hours of services based upon the employee's hourly pay rate and gross pay; however, the time sheets documented 64 hours of work was performed.

No formal Township policies were noted which would provide an explanation for the above differences and no explanation was provided by Township management for these differences.

Failure to formally document the Trustees approval of pay rates and payroll policies could result in actions being taken which are not consistent with the intentions of Township management. In addition, unidentified or unusual discrepancies between amounts paid and supporting documentation or dates checks are issued could result in errors or irregularities occurring and remaining undetected.

The Trustees should approve all pay rates, changes in pay rates, and payroll policies and document this approval in the minutes. In addition, we further recommend the Township maintain all supporting documentation, including approved time sheets, and take due care in calculating gross pay, deductions and net pay. Management should ensure hours worked according to approved employee time sheets agree to hours paid and are in accordance with Township policies when approving disbursements and prior to the disbursement being issued.

**FINDING NUMBER 2015-008**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 149.43(B)(1) states, in part, that upon request, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-008 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 149.43(B)(1) (Continued)**

Additionally, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation such as remittance advices, deeds, permits and/or certificates for all receipts including cemetery fees, licenses, permits, and fees, and miscellaneous receipts.

The Township was unable to provide sufficient appropriate supporting documentation for miscellaneous receipts reported. For 2014, three cemetery receipts totaling \$1,100, did not contain documentation regarding the source or amount of the receipt. For 2013, there were eight cemetery receipts totaling \$3,300 and one other miscellaneous receipt totaling \$27,924 for which no supporting documentation was provided.

Additionally, the Township was unable to provide supporting documentation for certain licenses, permits and fees. For 2015 and 2013, we noted two receipts totaling \$9,165 and one receipt totaling \$4,366, respectively, did not contain a Solid Waste Disposal Fee Form. We were able to obtain sufficient assurances from other source documentation for these receipts.

Failure to maintain the appropriate supporting documentation could allow errors or irregularities to occur and remain undetected. In addition, for the current period, this resulted in sufficient appropriate audit evidence being unavailable to support an unmodified opinion on the financial statements.

Supporting documentation should be maintained by the Fiscal Officer in accordance with record retention policies for each receipt including any corresponding remittance advices, deeds, permits and/or certificates.

**FINDING NUMBER 2015-009**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 149.43(B)(1) states, in part, that upon request, all public records responsive to the request shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours. Subject to division (B)(8) of this section, upon request, a public office or person responsible for public records shall make copies of the requested public record available at cost and within a reasonable period of time. If a public record contains information that is exempt from the duty to permit public inspection or to copy the public record, the public office or the person responsible for the public record shall make available all of the information within the public record that is not exempt. When making that public record available for public inspection or copying that public record, the public office or the person responsible for the public record shall notify the requester of any redaction or make redaction plainly visible. A redaction shall be deemed a denial of a request to inspect or copy the redacted information, except if federal or state law authorizes or requires a public office to make the redaction.

Additionally, management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-009 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 149.43(B)(1) (Continued)**

This includes maintaining sufficient supporting documentation such as canceled checks, purchase orders, invoices, contracts and vouchers for all non-payroll disbursements.

During our tests of nonpayroll disbursements we noted the following errors and deficiencies:

- The Township did not obtain from the bank or provide for audit the images of the backs of cancelled checks. This resulted in auditors not being able to review and confirm the appropriateness of the endorsement of the payee.
- The Township was unable to provide signed contracts supporting amounts paid for fire and EMS services.
- We noted a few checks indicated as voided on the Township's accounting system; however, these checks were not maintained on file.
- We noted the Fiscal Officer did not begin entering checks into the accounting system during 2013 until February; therefore, check numbers 18715 through 18721 were manually written and not input into the accounting system until February 10, 2013. In addition, we noted certain instances throughout the audit period of manual checks being issued and then entered into the computer system at a later date. We also noted instances in which checks cleared the bank prior to being entered into the accounting system.
- For each year we noted supporting documentation, such as invoices and contracts, were not maintained for various items selected for testing as follows:
  - Payment of \$800 to a Township Trustee for a "crane charge" with the only supporting documentation being a hand-written statement from the Trustee. The payment was agreed to the front of the canceled check signed by two Trustees and the Fiscal Officer.
  - Payments of \$12 and \$310 to separate Township Trustees with no supporting invoices on file. Payments were agreed to the front of the cancelled checks signed by the Township Trustees and Fiscal Officer.
  - Payments of \$17,250 and \$36,167 during 2014, made to an equipment company and a car dealership, contained no supporting invoices or contracts.
  - Payment of \$599 to the Fiscal Officer during 2014 contained no supporting invoice; however, the minutes appeared to contain approval for approximately \$598 in payments to the Fiscal Officer. The payment was agreed to the front of the canceled checks signed by the Township Trustees and Fiscal Officer.
  - Payment of \$40,000 for the purchase of land during 2013 contained no invoice or contracts.
  - Three 2013 payments, totaling \$16,494, did not contain adequate supporting documentation. This resulted in a projected error of \$54,198.
  - A payment of \$5,100 was noted as being paid to a construction contractor during 2013; however, no contract was provided.
  - A payment of \$426 was noted as being made to a Township Trustee for "adt install" however no supporting documentation was provided. We were able to verify the cost of an alarm camera and system for Township buildings during our review of the minutes. The payment was agreed to the front of the canceled check signed by two Trustees and the Fiscal Officer.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-009 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 149.43(B)(1) (Continued)**

In addition, to the above errors and deficiencies, our testing noted the following unadjusted classification errors:

- Payment of \$75,000 for road materials during 2015 was improperly classified as General Government rather than as Public Works in the Township's General Fund.
- For the years ended December 31, 2015 and 2014, various funds contained expenditures which appeared to be improperly classified on the financial statements including Cemetery Fund expenditures classified as Public Works rather than Health, Fire Fund expenditures classified as General Government rather than Public Safety, EMS Fund expenditures classified as General Government rather than Public Safety, and Joint Cemetery Fund expenditures classified as General Government rather than Health.
- Payment of \$100,992 for road materials during 2013 was improperly classified as General Government and Recreation rather than as Public Works.
- For the year ended December 31, 2013, various funds contained expenditures which appeared to be improperly classified on the financial statements including Gasoline Tax Fund expenditures classified as Public Safety rather than Public Works, Cemetery Fund expenditures classified as Public Works rather than Health, Fire Fund expenditures classified as General Government rather than Public Safety, EMS Fund expenditures classified as General Government rather than Public Safety, and Joint Cemetery Fund expenditures classified as General Government rather than Health.

Failure to maintain the appropriate supporting documentation could allow payments to be made for items not received and allow other errors or irregularities to occur and remain undetected. These issues also contributed to a qualified opinion over the Township's financial statements.

Supporting documentation should be maintained by the Fiscal Officer in accordance with record retention policies for each payment including the fronts and backs of canceled checks, purchase orders, invoices, contracts and vouchers. In addition, copies of voided checks should be appropriately marked and maintained on file, checks should be posted timely and issued accordingly, and outstanding checks should be periodically reviewed and promptly investigated.

The Fiscal Officer should also refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate uses of the Township's disbursements.

**FINDING NUMBER 2015-010**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-010 (Continued)**

**Noncompliance and Material Weakness – Ohio Rev. Code § 9.38 (Continued)**

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, the Board of Township Trustees may adopt a policy permitting officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days following receipt. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

Township deposits were not always made in a timely manner and receipts were not always posted in a timely manner. During our testing of property taxes and intergovernmental receipts, we noted that 17% of receipt postings for 2015, 43% of receipt postings for 2014, and 32% of receipt postings for 2013 were not made timely. In addition, we noted the Township failed to deposit three checks received during 2015 from the State of Ohio totaling \$21,207. These checks were subsequently voided by the State of Ohio.

In addition, we noted 39%, 54% and 47% of Licenses, Permits and Fees receipts tested for 2015, 2014, 2013 respectively were not timely deposited. We also noted, 31% and 33% of cemetery fees, for 2014 and for 2013 were not timely deposited.

Failure to deposit receipts in a timely manner could result in subsequent loss or theft of monies collected.

The Fiscal Officer should deposit receipts of the Township to a designated depository on the business day following the day of receipt or in accordance with a policy adopted by the Township Trustees in accordance with the aforementioned requirements. Receipts should be posted to the accounting system promptly when received.

**FINDING NUMBER 2015-011**

**Noncompliance and Material Weakness**

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

The Township's monthly reconciliations of bank to book balances for the period of January 1, 2013 through December 31, 2015 contained various unexplained reconciling items which were labeled as "other adjusting factors." These reconciling item, which ranged from (\$190,572) to \$35,784 during the audit period, were subsequently identified by management. In addition, we noted the Township's outstanding checklist contained a large amount of outstanding checks (totaling \$136,030 as of December 31, 2015) with outstanding checks dating back to December 4, 2001. A large portion of these payments were generated by the Township from the accounting system but never mailed to the applicable governmental agency or vendor. The lack of a proper reconciliation between the Township's bank balances and accounting records could result in numerous errors or irregularities to occur and remain undetected and/or corrected in a time manner.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

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

**FINDING NUMBER 2015-011 (Continued)**

**Noncompliance and Material Weakness – Ohio Admin. Code §§ 117-2-01(D)(3) and (5) (Continued)**

These reconciliation errors also resulted in the following adjustments, with which management has agreed, being made to the financial statements:

<u>Fund</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>Prior to 2013</u>
General	\$8,722	\$10,521	\$6,408	\$35,202
Motor Vehicle License Tax	180	117	0	2,395
Gasoline Tax	1,481	4,354	5,760	35,126
Road & Bridge	2,199	6,120	381	5,426
Cemetery	2,298	1,060	1,073	3,283
Fire	0	0	0	68
EMS	0	0	0	42

The Fiscal Officer should prepare monthly bank reconciliations in a timely manner so that reconciling items can be easily identified and corrections promptly made, when applicable. Unusual or unidentified reconciling items should be promptly investigated and resolved. Additionally, the monthly bank reconciliation should be reviewed and approved by the Board of Trustees each month. Also, payments should be mailed promptly after the generation of the checks from the accounting system and approval of the disbursement by the Board of Trustees.

**FINDING NUMBER 2015-012**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(A) states that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Admin. Code § 117-2-03.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

During 2015, the Fiscal Officer classified certain transactions incorrectly as follows:

- Gasoline tax receipts totaling \$4,783 and \$11,890 were incorrectly posted to the Motor Vehicle License Tax and Road and Bridge Funds, respectively, rather than the Gasoline Tax Fund.



**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-012 (Continued)**

**Noncompliance and Material Weakness – Ohio Admin. Code § 117-2-02(A) (Continued)**

- A portion of the General Fund balance, representing outstanding encumbrances of \$10,015, was incorrectly posted as Unassigned rather than as Assigned.
- The Motor Vehicle License Tax and Gasoline Tax Fund balances were incorrectly posted as Nonspendable instead of Restricted fund balance.
- The Miscellaneous Special Revenue Fund balance was incorrectly posted as Committed rather than Restricted.

During 2014, the Fiscal Officer classified certain transactions incorrectly as follows:

- Gasoline tax receipts totaling \$1,404 and \$19,006 were incorrectly posted to the General and Road and Bridge Funds, respectively, rather than the Gasoline Tax Fund.
- Homestead and rollback receipts of \$2,948, \$1,973, \$5,203, \$3,152, and \$5,969 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the General, Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively. In addition, a homestead and rollback receipt of \$1,990 was incorrectly posted to the Motor Vehicle License Tax Fund rather than the Road and Bridge Fund.
- Commercial activity tax receipts of \$76, \$500, \$250, and \$232 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.
- Disaster relief grant monies of \$5,753 were incorrectly posted as Miscellaneous Receipts rather than Intergovernmental Receipts in the Miscellaneous Special Revenue Fund.
- A portion of the General Fund balance, representing outstanding encumbrances of \$741, was incorrectly posted as Unassigned rather than as Assigned.
- The Motor Vehicle License Tax and Gasoline Tax Fund balances were incorrectly posted as Nonspendable instead of Restricted fund balance.
- The Road and Bridge Fund balance, representing inside millage from property taxes, was incorrectly posted as Nonspendable instead of Committed fund balance.
- The Cemetery Fund balance was incorrectly posted as Assigned rather than Restricted.
- The Miscellaneous Special Revenue Fund balance was incorrectly posted as Committed rather than Restricted.

During 2013, the Fiscal Officer classified certain transactions incorrectly as follows:

- Homestead and rollback receipts of \$2,961, \$3,989, \$5,166, \$3,187, and \$5,997 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the General, Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.
- Commercial activity tax receipts of \$65, \$428, \$214, and \$199 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.
- Disaster relief grant monies of \$12,763 were incorrectly posted as Miscellaneous Receipts rather than Intergovernmental Receipts in the Miscellaneous Special Revenue Fund.
- The Motor Vehicle License Tax and Gasoline Tax Fund balances were incorrectly posted as Nonspendable instead of Restricted fund balance.
- The Road and Bridge Fund balance, representing inside millage from property taxes, was incorrectly posted as Nonspendable instead of Committed fund balance.
- The Cemetery Fund balance was incorrectly posted as Assigned rather than Restricted.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

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

**FINDING NUMBER 2015-012 (Continued)**

**Noncompliance and Material Weakness – Ohio Admin. Code § 117-2-02(A) (Continued)**

- The Miscellaneous Special Revenue Fund balance was incorrectly posted as Committed rather than Restricted.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information. Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and annual financial report in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements.

**FINDING NUMBER 2015-013**

**Material Weakness**

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, 2015, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

<b>Fund</b>	<b>Estimated Resources Per Last Amended Certificate</b>	<b>Budgeted Receipts Per the UAN System</b>	<b>Variance</b>
General	\$190,726	\$254,250	(\$63,524)
Motor Vehicle License Tax	11,433	10,050	1,383
Gasoline Tax	94,735	70,850	23,885
Road and Bridge	41,145	71,500	(30,355)
Cemetery	25,500	25,000	500
Fire	71,240	81,000	(9,760)
EMS	39,800	48,000	(8,200)
Joint Cemetery	54,540	63,000	(8,460)
Misc. Special Revenue	0	41,000	(41,000)

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)**

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

**FINDING NUMBER 2015-013 (Continued)**

**Material Weakness (Continued)**

At December 31, 2014, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

<b>Fund</b>	<b>Estimated Resources Per Last Amended Certificate</b>	<b>Budgeted Receipts Per the UAN System</b>	<b>Variance</b>
General	\$197,631	\$242,900	(\$45,269)
Motor Vehicle License Tax	11,433	10,100	1,333
Gasoline Tax	92,803	90,100	2,703
Road and Bridge	51,145	50,500	645
Cemetery	21,115	25,500	(4,385)
Fire	81,960	86,000	(4,040)
EMS	45,220	48,000	(2,780)
Joint Cemetery	62,775	63,000	(225)
Misc. Special Revenue	12,500	41,000	(28,500)

At December 31, 2013, estimated resources approved by the Budget Commission did not agree to the Township's ledgers for the following funds:

<b>Fund</b>	<b>Estimated Resources Per Last Amended Certificate</b>	<b>Budgeted Receipts Per the UAN System</b>	<b>Variance</b>
General	\$104,735	\$215,200	(\$110,465)
Motor Vehicle License Tax	11,330	11,100	230
Gasoline Tax	92,700	90,100	2,600
Road and Bridge	43,645	51,300	(7,655)
Cemetery	21,115	20,500	615
Fire	70,285	86,000	(15,715)
EMS	45,220	46,000	(780)
Joint Cemetery	62,775	61,000	1,775
Misc. Special Revenue	12,875	12,500	375

Inaccurate budgetary information posted to the accounting system could result in management of the Township not being able to effectively monitor and report its budget vs. actual status throughout the year. Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

HARRISON TOWNSHIP  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013  
(Continued)

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

FINDING NUMBER 2015-013 (Continued)

**Material Weakness (Continued)**

The Fiscal Officer should post estimated receipts as approved by the Budget Commission into the computer system. This procedure will help ensure more useful comparisons of budget vs. actual activity, as well as provide management with an accurate monitoring tool throughout the year.

**Officials' Response:** We did not receive a response from Officials to the Findings reported above.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015, 2014 AND 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2012-001	Ohio Rev. Code § 5705.36 – Certifying amounts available for expenditure.	Not Corrected.	Refer to Finding No. 2015-004.
2012-002	Ohio Rev. Code § 5705.38 – Passing annual appropriation measure.	Not Corrected.	Refer to Finding No. 2015-004.
2013-003	Ohio Rev. Code § 5705.41(B) – Expenditures exceed appropriations.	Not Corrected.	Refer to Finding No. 2015-004.
2013-004	Ohio Rev. Code § 5705.41(D) – Expenditures made without prior certification.	Not Corrected.	Repeated in the current year in a separate letter to management.
2013-005	Monitoring of financial activity.	Not Corrected.	Refer to Finding No. 2015-005.
2013-006	Bank reconciliations	Not Corrected.	Refer to Finding Nos. 2015-005 and 2015-011.
2013-007	Ohio Admin. Code § 117-2-02(A) – Proper classification of transactions.	Not Corrected.	Refer to Finding No. 2015-012.

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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  
FEBRUARY 28, 2017**