



OHIO AUDITOR OF STATE
KEITH FABER



**HARRISON TOWNSHIP
MUSKINGUM COUNTY
DECEMBER 31, 2020 AND 2019**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Harrison Township
Muskingum County
PO Box 215
Philo, Ohio 43771

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of the Harrison Township, Muskingum County, Ohio (the Township).

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 Township's internal control. Accordingly, we express no such 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 2 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.

Efficient • Effective • Transparent

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, 2020 and 2019, and the respective changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During prior audit periods from January 1, 2015 to December 31, 2016, January 1, 2013 to December 31, 2014, January and January 1, 2011 to December 31, 2012, the Township's audit report contained several Findings for Adjustment, which have not been made by the Township, as of the date of this report. The Township did make adjustments of \$32,604 in 2019 and \$39,854 in 2020 toward these outstanding Findings for Adjustment. The cumulative effect of these adjustments from prior audits not made would decrease the General Fund cash balance by \$67,177 and increase the Special Revenue Fund cash balance by \$67,177. The Township declined to make these adjustments.

During the period January 1, 2019 to December 31, 2020, the Fiscal Officer did not properly allocate the Trustees' salaries to the correct funds and did not allocate health insurance expenditures to the proper funds, in the cumulative amount of \$25,214. The cumulative effect of these proposed 2020 and 2019 adjustments and the unposted prior audit adjustments, in the amount of \$67,177, would decrease the General Fund cash balance by \$92,391 and increase the Special Revenue Fund, cash balance by \$92,391. The Township declined to make these adjustments.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Muskingum County, Ohio as of December 31, 2020 and 2019, 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) permits, described in Note 2.

Emphasis of Matter

As discussed in Note 12, the Township is experiencing financial difficulties. Management has declined to post the aforementioned adjustments discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraphs, due to the General Fund's cash balance not being sufficient to support these adjustments. Management's plan in regards to these financial difficulties is described in Note 12 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Notes 13 to the financial statements for 2020 and 2019, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. 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 2, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

February 2, 2022

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**HARRISON TOWNSHIP
MUSKINGUM COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (Regulatory Cash Basis)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$23,135	\$343,714	\$35,067	\$401,916
Charges for Services	0	27,546	0	27,546
Intergovernmental	23,811	348,139	0	371,950
Earnings on Investments	788	223	0	1,011
Miscellaneous	28,255	22,507	0	50,762
<i>Total Cash Receipts</i>	<u>75,989</u>	<u>742,129</u>	<u>35,067</u>	<u>853,185</u>
Cash Disbursements				
Current:				
General Government	16,288	0	0	16,288
Public Safety	0	188,335	0	188,335
Public Works	0	244,446	0	244,446
Health	0	61,279	0	61,279
Conservation-Recreation	0	101,772	0	101,772
Capital Outlay	0	203,379	0	203,379
Debt Service:				
Principal Retirement	0	0	61,808	61,808
Interest and Fiscal Charges	0	0	16,180	16,180
<i>Total Cash Disbursements</i>	<u>16,288</u>	<u>799,211</u>	<u>77,988</u>	<u>893,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>59,701</u>	<u>(57,082)</u>	<u>(42,921)</u>	<u>(40,302)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	38,804	42,921	81,725
Transfers Out	0	(81,725)	0	(81,725)
Advances In	0	13,102	0	13,102
Advances Out	0	(13,102)	0	(13,102)
Other Financing Sources	0	147,952	0	147,952
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>105,031</u>	<u>42,921</u>	<u>147,952</u>
<i>Net Change in Fund Cash Balances</i>	59,701	47,949	0	107,650
<i>Fund Cash Balances, January 1 (Restated, See Note 4)</i>	<u>(26,654)</u>	<u>562,878</u>	<u>17</u>	<u>536,241</u>
<i>Fund Cash Balances, December 31</i>	<u>\$33,047</u>	<u>\$610,827</u>	<u>\$17</u>	<u>\$643,891</u>

See accompanying notes to the basic financial statements

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**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Muskingum County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 11 to the financial statements provide additional information for these entities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund type which are organized on a fund type basis.

B. 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:

General Fund

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

Special Revenue Funds

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

Road & Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund – This fund receives property tax monies to pay for fire protection and emergency medical services.

Gas Tax Fund – The gas tax accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund – The motor vehicle license tax fund accounts for and reports that portion of motor vehicle registration fees restricted for maintenance and repair of roads within the Township.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Special Revenue Funds (Continued)

FEMA/State Road Slip Repairs – The Township received grants from FEMA/State to repairs the road slips on Butterbean Ridge Road, Twyman Road and Duncan Run Road.

Coronavirus Relief Fund – The Township received Federal Funding from CARES Act to assist with recovery from Coronavirus emergency.

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Township had the following significant Debt Service Funds:

Tractor Debt Service Fund – This fund receives property tax money to retire a note for the purchase of a tractor to be used for Township roads.

Fire Truck Debt Service Fund – This fund receives property tax monies to retire a note for the purchase of a fire truck to be used to provide fire protection.

Dump Truck Debt Service Fund – This fund receives property tax money to retire a note for the purchase of a dump truck to be used for Township roads.

EMS Squad Fund - This fund receives property tax money to retire a note for the purchase of a EMS ambulance to be used to provide emergency protection.

C. Basis of Accounting

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.

D. Budgetary Process

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

Appropriations

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

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 2020 appears in Note 3.

E. 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.

F. Capital Assets

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

G. Accumulated Leave

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 57,137	\$ 75,989	\$ 18,852
Special Revenue	848,616	941,987	93,371
Debt Service	56,193	77,988	21,795
Total	<u>\$ 961,946</u>	<u>\$ 1,095,964</u>	<u>\$ 134,018</u>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 25,703	\$ 16,288	\$ 9,415
Special Revenue	899,121	894,038	5,083
Debt Service	77,988	77,988	0
Total	<u>\$ 1,002,812</u>	<u>\$ 988,314</u>	<u>\$ 14,498</u>

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

4. PRIOR PERIOD RESTATEMENT

For the year ended December 31, 2020, an adjustment resulted in fund balances restatement.

Governmental Funds	Fund Balances at December 31, 2019	Restatement Amount	Fund Balances at January 1, 2020
General	\$13,200	(\$39,854)	(\$26,654)
Special Revenue	522,905	39,973	562,878

The restatement amount of \$39,854 represents the client made adjustments for prior period unposted adjustments from prior audits. During 2020, the client made \$119 fund balance adjustment in the Special Revenue Fund for voiding an outstanding check.

5. DEPOSITS

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

Demand deposits	2020
	\$ 643,891

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

6. 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and or deduction amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

7. RISK MANAGEMENT (Continued)

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	2020
Cash and Investments	\$36,348,066
Actuarial Liabilities	\$10,894,146

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2020, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2020.

Social Security

The Fire Chief, Assistant, and Fiscal Officer contribute to social security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contribute 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member- directed plan was 4.0 percent during calendar year 2020.

10. DEBT

Debt outstanding at December 31, 2020 was as follows:

	Principal	Interest rate
Bank Loan – Tractor	\$ 39,989	3.75%
Bank Loan – Fire Truck	137,435	3.75%
Bank Loan – Dump Truck	114,984	3.75%
Bank Loan – EMS Squad	147,952	3.35%
Total	\$ 440,360	

During 2016, the Township obtained a loan to finance the purchase of a tractor for Township road maintenance. The Township taxing authority collateralized the loan. The debt is being retired from the Tractor Debt Service Fund.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

10. DEBT (Continued)

During 2017, the Township obtained a loan to finance the purchase of a fire truck for Township fire protection. The Township taxing authority collateralized the loan. The debt is being retired from the Fire Truck Debt Service Fund. The Township made an additional \$75,000 principal payment during 2019.

During 2019, the Township obtained a loan to finance the purchase of a Dump Truck for Township road maintenance. The Township's taxing authority collateralized the loan. The debt is retired from the Dump Truck Debt Service Fund.

During 2020, the Township obtained a loan to finance the purchase of an ambulance for Township EMS protection. The Township taxing authority collateralized the loan. The debt is being retired from the EMS Squad Fund.

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

Year Ended December 31	Tractor	Fire Truck	Dump Truck	EMS Squad
2021	\$ 21,126	\$ 35,067	\$ 21,794	\$ 24,172
2022	21,126	35,067	21,794	24,172
2023	0	35,067	21,794	24,172
2024	0	35,067	21,794	24,172
2025	0	30,201	21,794	24,172
2026-2027	0	0	21,797	48,344
Total	<u>\$ 42,252</u>	<u>\$ 170,469</u>	<u>\$ 130,767</u>	<u>\$ 169,204</u>

11. 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.

12. FINANCIAL DIFFICULTIES

At December 31, 2020, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2010 through 2020 that the Township declined to make in those years):

Fund	December 31, 2020 Balance	Adjustments Not Made	Effect on December 30, 2020 Balance
General	\$33,047	(\$92,391)	(\$59,344)
Special Revenue	\$610,827	\$92,391	\$703,218

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affect the Gasoline Tax Fund, in the amount of \$56,760, the Road and Bridge Fund in the amount of \$18,741, the Fire District Fund in the amount of \$18,877 and the Park Levy Fund in the amount of (\$1,987).

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

13. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township received CARES Act funding. Of the amount received, \$90,131.47, the amount of \$29,770 was spent on behalf of Brush Creek Township. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

14. Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Special Revenue</u>
Outstanding Encumbrances	<u>\$116</u>	<u>\$1,618</u>

The fund balance of special revenue funds is either restricted or committed. These restricted or committed amounts in the special revenue funds would including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

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**HARRISON TOWNSHIP
MUSKINGUM COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (Regulatory Cash Basis)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$22,858	\$300,528	\$45,630	\$369,016
Charges for Services	0	32,865	0	32,865
Intergovernmental	17,558	169,674	0	187,232
Earnings on Investments	652	278	0	930
Miscellaneous	0	13,126	0	13,126
<i>Total Cash Receipts</i>	<u>41,068</u>	<u>516,471</u>	<u>45,630</u>	<u>603,169</u>
Cash Disbursements				
Current:				
General Government	12,536	0	0	12,536
Public Safety	0	87,667	0	87,667
Public Works	0	273,898	0	273,898
Health	0	35,000	0	35,000
Conservation-Recreation	0	23,089	0	23,089
Capital Outlay	0	3,120	0	3,120
Debt Service:				
Principal Retirement	0	0	43,410	43,410
Interest and Fiscal Charges	0	75,000	12,783	87,783
<i>Total Cash Disbursements</i>	<u>12,536</u>	<u>497,774</u>	<u>56,193</u>	<u>566,503</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,532</u>	<u>18,697</u>	<u>(10,563)</u>	<u>36,666</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	79,784	10,563	90,347
Transfers Out	0	(90,347)	0	(90,347)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>(10,563)</u>	<u>10,563</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	28,532	8,134	0	36,666
<i>Fund Cash Balances, January 1 (Restated, See Note 4)</i>	<u>(15,332)</u>	<u>514,771</u>	<u>17</u>	<u>499,456</u>
Fund Cash Balances, December 31				
Restricted	0	445,276	17	445,293
Committed	0	77,629	0	77,629
Assigned	13,200	0	0	13,200
<i>Fund Cash Balances, December 31</i>	<u>\$13,200</u>	<u>\$522,905</u>	<u>\$17</u>	<u>\$536,122</u>

See accompanying notes to the basic financial statements

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**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Muskingum County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a public entity risk pool. Note 11 to the financial statements provide additional information for these entities.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund type which are organized on a fund type basis.

B. 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:

General Fund

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

Special Revenue Funds

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

Road & Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund – This fund receives property tax monies to pay for fire protection and emergency medical services.

Gas Tax Fund – The gas tax accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Special Revenue Funds (Continued)

Motor Vehicle License Tax Fund – The motor vehicle license tax fund accounts for and reports that portion of motor vehicle registration fees restricted for maintenance and repair of roads within the Township.

FEMA/State Road Slip Repairs – The Township received grants from FEMA/State to repairs the road slips on Butterbean Ridge Road, Twyman Road and Duncan Run Road.

Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest. The Township had the following significant Debt Service Funds:

Tractor Debt Service Fund – This fund receives property tax money to retire a note for the purchase of a tractor to be used for Township roads.

Fire Truck Debt Service Fund – This fund receives property tax monies to retire a note for the purchase of a fire truck to be used to provide fire protection.

Dump Truck Debt Service Fund – This fund receives property tax money to retire a note for the purchase of a dump truck to be used for Township roads.

C. Basis of Accounting

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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

D. Budgetary Process

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

Appropriations

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

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.

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 2019 appears in Note 3.

E. 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.

F. Capital Assets

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

G. Accumulated Leave

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

H. 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:

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.

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.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

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.

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.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 42,211	\$ 41,068	\$ (1,143)
Special Revenue	557,346	596,255	38,909
Debt Service	66,789	66,756	(33)
Total	\$ 666,346	\$ 704,074	\$ 37,733

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 23,858	\$ 12,536	\$ 11,322
Special Revenue	739,342	588,121	151,221
Debt Service	56,193	56,193	0
Total	\$ 819,393	\$ 656,850	\$ 162,543

4. DEPOSITS

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

	2019
Demand deposits	\$ 536,122

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

4. DEPOSITS (Continued)

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

5. PRIOR PERIOD RESTATEMENT

For the year ended December 31, 2019, an adjustment resulted in fund balances restatement.

Governmental Funds	Fund Balances at December 31, 2018	Restatement Amount	Fund Balances at January 1, 2019
General	\$17,272	(\$32,604)	(\$15,332)
Special Revenue	481,324	33,447	514,771

The restatement amount of \$32,604 represents the client made adjustments for prior period unposted adjustments from prior audits. During 2019, the client made \$843 fund balance adjustment in the Special Revenue Fund for voiding old checks.

6. PROPERTY TAX

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

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

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

7. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

7. RISK MANAGEMENT (Continued)

	2019
Cash and Investments	\$35,207,320
Actuarial Liabilities	\$10,519,942

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

The Fire Chief and Assistant contribute to social security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contribute 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

10. DEBT

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest rate
Bank Loan – Tractor	\$ 58,905	3.75%
Bank Loan – Fire Truck	163,555	3.75%
Bank Loan – Dump Truck	131,755	3.75%
Total	\$ 354,215	

During 2016, the Township obtained a loan to finance the purchase of a tractor for Township road maintenance. The Township taxing authority collateralized the loan. The debt is being retired from the Tractor Debt Service Fund.

During 2017, the Township obtained a loan to finance the purchase of a fire truck for Township fire protection. The Township taxing authority collateralized the loan. The debt is being retired from the Fire Truck Debt Service Fund. The Township made an additional \$75,000 principal payment during 2019.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

10. DEBT (Continued)

During 2019, the Township obtained a loan to finance the purchase of a Dump Truck for Township road maintenance. The Township’s taxing authority collateralized the loan. The debt is retired from the Dump Truck Debt Service Fund.

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

Year Ended December 31	Tractor	Fire Truck	Dump Truck
2020	\$ 21,126	\$ 35,067	\$ 21,794
2021	21,126	35,067	21,794
2022	21,126	35,067	21,794
2023	0	35,067	21,794
2024	0	35,067	21,794
2025-2026	0	30,201	43,591
Total	<u>\$ 63,378</u>	<u>\$ 205,536</u>	<u>\$ 152,561</u>

11. 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.

12. FINANCIAL DIFFICULTIES

At December 31, 2019, the following funds had adjustments which the Township declined to make in the following amounts (this table also includes adjustments from 2011 through 2019 that the Township declined to make in those years):

Fund	December 31, 2019 Balance	Adjustments Not Made	Effect on December 30, 2019 Balance
General	\$13,200	(\$127,071)	(\$113,871)
Special Revenue	522,905	127,071	649,976

The Township has no formal plans for increasing the revenue stream of the General Fund but is monitoring all expenditures of the General Fund. The adjustments not made in the Special Revenue Fund type affect the Gasoline Tax Fund in the amount of \$61,186, the Road and Bridge Fund in the amount of \$32,321, the MVL Fund in the amount of (\$5,350), the Fire District Fund in the amount of \$18,512, the Road District Fund in the amount of \$11,539, and the Park Levy Fund in the amount of \$8,863.

13. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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

Harrison Township
Muskingum County
PO Box 215
Philo, Ohio 43771

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 for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of Harrison Township, Muskingum County, Ohio (the Township), and have issued our report thereon dated February 2, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township. We also qualified our opinion on Fines, Licenses and Permits in the General Fund. We issued an adverse opinion on the General and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for prior and current audit findings for adjustments. These adjustments result in a material misstatement of General Fund and Special Revenue Fund cash balances as of December 31, 2020 and 2019.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2020-001 through 2020-005 and 2020-007 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-008 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 2020-001 through 2020-003 and 2020-006 through 2020-008.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

February 2, 2022

HARRISON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019

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

FINDING NUMBER 2020-001

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

At December 31, 2020, the Township's appropriations exceeded the amount certified as available by the budget commission in the General (Note) Debt Service-Dump Truck Fund by \$21,794. Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's Fire District, FEMA-Butterbean Ridge Road and FEMA-Duncan Run Road Funds had expenditures in excess of appropriations of \$84,062, \$19,406 and \$932, respectively, as of December 31, 2020.

At December 31, 2019, the Township's appropriations exceeded the amount certified as available by the budget commission in the Cemetery Fund by \$30,235. Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's FEMA-Butterbean Ridge Road and FEMA-Twyman Hill Road Funds had expenditures in excess of appropriations of \$20,560 and \$59,224, respectively, as of December 31, 2019.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances. Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations. The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

HARRISON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)

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

FINDING NUMBER 2020-002

Noncompliance/Material Weakness

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

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

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Board of Trustees may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel oil, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

We noted the Township did not establish a threshold amount by ordinance or resolution for blanket certificates.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

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

**FINDING NUMBER 2020-002
(Continued)**

Noncompliance/Material Weakness – Ohio Rev. Code § 5705.41(D)(1) (Continued)

Due to deficiencies in internal controls, during 2020, two of three of the transactions tested at year-end and during 2019, twenty-five of twenty-seven of the transactions tested during the year were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2020-003

Noncompliance/Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Township financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, Ohio Rev. Code § 149.351 requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§ 149.38 through 149.42.

The Township did not maintain underlying documentation and support for four of the expenditures tested. We were able to perform alternate procedures to determine the unsupported transactions were allowable and proper for the Township.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Township should maintain all invoices for all financial transactions and records be maintained in an orderly manner to support all transactions.

FINDING NUMBER 2020-004

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)**

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

**FINDING NUMBER 2020-004
(Continued)**

Material Weakness (Continued)

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board of Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board of Trustees are precisely stated and accurately posted to the appropriation ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board of Trustees were not properly posted to the accounting system.

Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances.

At December 31, 2020, appropriations approved by the Board of Trustees did not agree to the Township's ledgers for the following fund:

<u>Fund</u>	<u>Appropriations Posted in the Accounting System</u>	<u>Appropriations Approved by Resolution</u>	<u>Variance</u>
Gasoline Tax Fund	\$172,000	\$147,000	\$25,000
Fire District Fund	415,267	217,500	197,767
FEMA - Butterbean Ridge Road	32,842	13,437	19,405

At December 31, 2019, appropriations approved by the Board of Trustees did not agree to the Township's ledgers for the following fund:

<u>Fund</u>	<u>Appropriations Posted in the Accounting System</u>	<u>Appropriations Approved by Resolution</u>	<u>Variance</u>
General Fund	\$14,772	\$23,592	(\$8,820)
Gasoline Tax Fund	178,756	188,756	(10,000)
Cemetery Fund	1	30,535	(30,534)
FEMA - Butter Bean Ridge Road	20,560	-	20,560
FEMA - Twyman Hill Road	59,224	-	59,224

To effectively control the budgetary cycle and to maintain accountability over expenditures, the Township should post to the ledgers, on a timely basis, appropriations approved by the Township. The Township should then monitor budget versus actual reports to help ensure appropriations have been properly posted to the ledgers.

HARRISON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)

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

FINDING NUMBER 2020-005

Material Weakness

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C § 210 paragraphs .A14 & .A16.

Our audit identified the following reclassifications:

- During 2020, the Township posted debt proceeds to Miscellaneous rather than Other Debt Proceeds in the Fire District Fund in the amount of \$147,952. The Township posted second half Homestead and Rollbacks to Property and Other Local Taxes receipt instead of Intergovernmental Receipts in the General, Road and Bridge, Fire District, Road District, and Park Levy Fund in the amount of \$944, \$3,089, \$2,370, \$1,153, and \$1,490, respectively.
- During 2019, the Township improperly reported subsequent year appropriations in excess of estimated receipts and year-end outstanding encumbrances in the General Fund as Unassigned fund balance instead of reporting these items as Assigned fund balance, in the amount of \$13,200.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Township's financial information.

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 2020-006

Noncompliance

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code § 133.15, a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

MUSKINGUM COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-006
(Continued)

Noncompliance (Continued)

Ohio Rev. Code § 133.18, the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2020 and 2019, the Township made principal payments on outstanding promissory notes in the amount of \$45,036 and \$118,410, respectively. The promissory note was used by the Township to purchase a Tractor and Fire Truck.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

FINDING NUMBER 2020-007

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code § 507.09(D) states: A township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

During 2020 and 2019, the Fiscal Officer was paid from funds other than the General Fund and did not complete certifications for this allocation. The Fiscal Officer was paid from the Gasoline Tax and Fire District Funds in the amounts of \$4,809 and \$365, respectively, in 2020 and \$17,918 and \$2,122, respectively, in 2019.

In accordance with the foregoing facts, a prior and current finding for adjustment has been issued in favor of the Harrison Township Gasoline Tax and the Fire District Fund the amounts of \$22,727 and \$2,487 and against the Harrison Township General Fund in the amount of \$25,214. These errors resulted in misstatements to the financial statements as the Fiscal Officer has not posted these adjustments to the Township records and therefore, these adjustments are not reflected in the accompanying financial statements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

MUSKINGUM COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-008

Noncompliance/Significant Deficiency

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

Ohio Rev. Code § 5747.07 requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5705.06 (including the state payroll tax) to the appropriate authority. It also requires the employing government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year. The Fiscal Officer did withhold the required state payroll taxes for both 2020 and 2019; however, there is no evidence she paid the taxes in 2020 and 2019 in accordance with the applicable schedule prescribed by Ohio Rev. Code § 5747.07 to the tax commissioner, timely. Failure to pay the withholdings could result in liabilities, penalties, and interest levied against the Township.

During 2020 and 2019, the Township failed to remitted Federal and State taxes timely resulting in late fees and penalties in the amounts of \$293 and \$261, respectively.

The Fiscal Officer should remit payment in accordance with applicable law to avoid interest and penalties. This matter will be referred to the Ohio Department of Taxation and the Internal Revenue Service.

Officials' Response

We did not receive responses from Officials to the findings reported above.

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HARRISON TOWNSHIP

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WILLIAM GREEN TRUSTEE

DENNY COEN TRUSTEE

LARRY DONOHUE TRUSTEE

JACALA RYBERG FISCAL OFFICER

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFO
Finding for Adjustments 2011, 2012, 2013, 2014, 2015, and 2016	Adjustments for mispostings from prior audits	Not Corrected	Cumulative amount of unposted adjustments is General Fund (\$139,635), Gasoline Tax Fund \$65,902, Road & Bridge Fund \$42,291, Fire District Fund \$16,390 and Park Levy Fund \$8,863, Road District Fund \$11,539, MVL Fund (\$5,350)
2018-001	All local offices should maintain an accounting system and accounting records sufficient to enable the public office to assemble, identify, analyze and classify its transactions	Not corrected	See finding 2020-005
2018-002	Ohio revised code section 5705.41 (D) prohibits expenditure of money without a signed certificate by fiscal officer	Not Corrected	See finding 2020-002
2018-003	Voucher packages did not include invoices	Corrected	Disbursement status corrected.
2018-004	ORC section 5705.41 (B) prohibits a subdivision from spending money unless appropriated	Corrected	Funds were appropriated for the fire department
2018-005	ORC section 5705.39 states that total appropriations from each fund shall not exceed the total of estimated resources	Not Corrected	See finding 2020-001
2018-006	ORC chapter 133 prohibits promissory notes and installment loans for debt.	Not Corrected	See finding 2020-006

OHIO AUDITOR OF STATE KEITH FABER



HARRISON TOWNSHIP

MUSKINGUM COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 2/17/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov