



OHIO AUDITOR OF STATE
KEITH FABER



HARRISON TOWNSHIP
PREBLE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Harrison Township
Preble County
PO Box 607
Lewisburg, Ohio 45338

To the Board of Trustees:

Report on the Audit of the Financial Statements

Qualified and Adverse Opinions

We have audited the financial statements of Harrison Township, Preble County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the years then ended.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund as of and for the years ended December 31, 2021 and 2020, and the related notes of Harrison Township, Preble County, Ohio in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and qualified audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Basis for Additional Opinion Qualification

During 2021 and 2020, the Township Trustees did not complete certifications or time logs and 100% of their salaries were paid from the Gasoline Tax Fund. Due to the lack of certifications or time logs supporting any allocation of the Trustees' pay, the Trustees' pay should have only been paid from the General Fund as being paid 100% from any other fund is unallowable, in accordance with Ohio Rev. Code § 505.24(C). As such, General Fund expenditures were understated and Special Revenue Fund expenditures were overstated by \$36,834 in 2021 and \$37,874 in 2020. The Township declined to record the adjustments due to financial constraints and the accompanying financial statements do not reflect them.

Additionally, during 2019 and 2018, the Township charged trustee salaries of \$37,434 each year to the Gasoline Tax Fund that were not substantiated by certifications or time logs. These were reported as Findings for Adjustments in the audit report as of December 31, 2019 and 2018. The Township has not made these adjustments as of the date of this report.

Had the Township agreed to the adjustments for the current and prior audits, the Gasoline Tax Fund balance would have been \$443,759 and \$431,782 for December 31, 2021 and 2020, respectively. The General Fund balance would have had deficit balances of \$(52,069) and \$(40,793) at December 31, 2021 and 2020, respectively.

Emphasis of Matter

As discussed in Note 11 to the financial statements for the year ending December 31, 2021 and Note 10 to the financial statements for the year ending December 31, 2020, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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

January 11, 2023

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Harrison Township
Preble County, Ohio

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$39,775	\$434,713	\$474,488
Licenses, Permits and Fees	0	60,167	60,167
Intergovernmental	29,387	445,736	475,123
Special Assessments	0	241	241
Earnings on Investments	1,446	1,058	2,504
Miscellaneous	7,185	13,005	20,190
<i>Total Cash Receipts</i>	<u>77,793</u>	<u>954,920</u>	<u>1,032,713</u>
Cash Disbursements			
Current:			
General Government	52,135	63,334	115,469
Public Safety	0	158,000	158,000
Public Works	0	490,783	490,783
Health	0	114,821	114,821
Capital Outlay	100	220,000	220,100
<i>Total Cash Disbursements</i>	<u>52,235</u>	<u>1,046,938</u>	<u>1,099,173</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,558</u>	<u>(92,018)</u>	<u>(66,460)</u>
Other Financing Receipts (Disbursements)			
Loans Issued	0	110,000	110,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>110,000</u>	<u>110,000</u>
<i>Net Change in Fund Cash Balances</i>	25,558	17,982	43,540
<i>Fund Cash Balances, January 1</i>	<u>71,949</u>	<u>2,065,290</u>	<u>2,137,239</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$97,507</u></u>	<u><u>\$2,083,272</u></u>	<u><u>\$2,180,779</u></u>

See accompanying notes to the basic financial statements.

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Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Preble County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Lewisburg, the Village of West Manchester, and the Village of Verona to provide fire services, emergency medical services, and ambulance services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Notes 6 to the financial statements provides additional information for this entity. The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

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.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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:

Gas Tax Fund The gas tax fund 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 license registration fees restricted for maintenance and repair of roads within the Township.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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).

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2021 budgetary activity appears in Note 3.

Deposits

The Township funds are pooled together in checking and savings accounts with local commercial banks.

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.

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.

Fund Balance

Fund balance is divided into five 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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,508	\$77,793	\$60,285
Special Revenue	203,053	1,064,920	861,867
Total	\$220,561	\$1,142,713	\$922,152

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,100	\$52,235	\$29,865
Special Revenue	1,572,810	1,046,938	525,872
Total	\$1,654,910	\$1,099,173	\$555,737

Note 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:

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2021

	<u>2021</u>
Demand deposits	<u>\$1,226,794</u>
Other time deposits (savings and NOW accounts)	<u>953,985</u>
Total deposits	<u><u>\$2,180,779</u></u>

Deposits

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

Note 5 – Property Taxes

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.

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

Note 6– Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

	2021
Cash and investments	\$34,880,599
Actuarial liabilities	\$10,601,444

The Township made contributions of \$9,739 to the Pool during 2021.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2021.

Note 8 – 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 2021. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

	Principal	Interest Rate
OPWC Millers Fork Rd	\$110,000	0%
Total	\$110,000	

The Township received an interest free loan from the Ohio Public Works Commission in 2021 in the amount of \$110,000. This loan was used to finance the Millers Fork Road Improvement project (CT62X). The project was completed in June 2021. The Township will begin making semi-annual payments of \$5,500 starting in January 2022 with the final payment due in July 2031.

Amortization

Amortization of the above debt is scheduled as follows:

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Year Ending December 31:	OPWC
2022	\$11,000
2023	11,000
2024	11,000
2025	11,000
2026	11,000
2027-2031	55,000
Total	<u>\$110,000</u>

Note 10 – 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 and the unexpendable corpus of the permanent funds. 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. The Township did not have non-spendable fund balances or outstanding encumbrances at year end.

The fund balance of special revenue funds is either restricted or committed.

Note 11 – 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 2021, the Township received American Rescue Plan Act funding of \$118,945 as an on-behalf of grant from another government. This amount is recorded in the American Rescue Plan Act Special Revenue Fund.

Note12 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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.

Harrison Township
Preble County, Ohio

*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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$36,262	\$413,922	\$450,184
Licenses, Permits and Fees	0	38,679	38,679
Intergovernmental	27,935	385,232	413,167
Special Assessments	3,254	131	3,385
Earnings on Investments	3,034	2,028	5,062
Miscellaneous	10,063	55,974	66,037
<i>Total Cash Receipts</i>	<u>80,548</u>	<u>895,966</u>	<u>976,514</u>
Cash Disbursements			
Current:			
General Government	61,295	63,088	124,383
Public Safety	0	214,871	214,871
Public Works	0	283,807	283,807
Health	0	113,109	113,109
Capital Outlay	305	552	857
<i>Total Cash Disbursements</i>	<u>61,600</u>	<u>675,427</u>	<u>737,027</u>
<i>Net Change in Fund Cash Balances</i>	18,948	220,539	239,487
<i>Fund Cash Balances, January 1</i>	<u>53,001</u>	<u>1,844,751</u>	<u>1,897,752</u>
<i>Fund Cash Balances, December 31</i>	<u>\$71,949</u>	<u>\$2,065,290</u>	<u>\$2,137,239</u>

See accompanying notes to the basic financial statements.

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Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Preble County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Village of Lewisburg, the Village of West Manchester, and the Village of Verona to provide fire services, emergency medical services, and ambulance services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Notes 6 to the financial statements provides additional information for this entity. The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

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.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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:

Gas Tax Fund The gas tax fund 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 license registration fees restricted for maintenance and repair of roads within the Township.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). 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).

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reapportioned in the subsequent year.

A summary of 2020 budgetary activity appears in Note 3.

Deposits

The Township funds are pooled together in checking and savings accounts with local commercial banks.

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.

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.

Fund Balance

Fund balance is divided into five 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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 9.

Note 3 – Budgetary Activity

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

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,015	\$80,548	\$45,533
Special Revenue	383,960	895,966	512,006
Total	\$418,975	\$976,514	\$557,539

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,100	\$61,600	\$20,500
Special Revenue	1,570,081	675,427	894,654
Total	\$1,652,181	\$737,027	\$915,154

Note 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:

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2020

	2020
Demand deposits	\$1,185,636
Other time deposits (savings and NOW accounts)	951,603
Total deposits	\$2,137,239

Deposits

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

Note 5 – Property Taxes

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 occupant, 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.

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

Note 6 – Risk Management

Workers’ Compensation

Workers’ Compensation coverage is provided by the State of Ohio. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

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
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

	<u>2020</u>
Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

The Township made contributions of \$9,356 to the Pool during 2020.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 8 – 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.

Note 9 – 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 and the unexpendable corpus of the permanent funds. 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. The Township did not have non-spendable fund balances or outstanding encumbrances at year end.

The fund balance of special revenue funds is either restricted or committed.

Note 10 – 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.

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2020

During 2020, the Township received CARES Act funding of \$169,778 as an on-behalf of grant from another government. This amount is recorded in the Cares Act Special Revenue Fund.

Note 11 – Change in Accounting Principle

For 2020, the Township has made a change to their cash basis reporting model. This change was removing the fund balance classifications from the Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Harrison Township
Preble County
PO Box 607
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of Harrison Township, Preble County, (the Township) and have issued our report thereon dated January 11, 2023, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the related emergency measures which may impact subsequent periods of the Township. We qualified our opinion due to improper allocation of Trustees' pay.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2021-001.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 11, 2023

HARRISON TOWNSHIP
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Noncompliance/Material Weakness and Finding for Adjustment

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, 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 Ohio Revised Code § 505.24(C), 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.

Per the Auditor of State Ohio Compliance Supplement, each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. If Trustees do not certify this time, then no part of salaries may be paid from restricted funds.

During a prior audit of the years 2019 and 2018, the Township charged Trustee's salaries to the Gasoline Tax Fund in the amount of \$37,434 each year without the required supportive documentation, and did not make these adjustments to its financial statements nor the Uniform Accounting Network (UAN) system.

During 2021 and 2020, the Township Trustees did not complete certifications or time logs and 100% of their salaries were paid from the Gasoline Tax Fund. Due to the lack of certifications or time logs supporting any allocation of the Trustees' pay, the Trustees' pay should have only been paid from the General Fund as being paid 100% from any other fund is unallowable.

This resulted in the Township's 2021 and 2020 General Fund expenditures being understated by \$36,834 in 2021 and \$37,874 in 2020 and the Gasoline Tax Special Revenue Fund expenditures being overstated by the same amounts in each year. The Township's accompanying financial statements and the Uniform Accounting Network (UAN) system fund balances have not been adjusted to correct these errors.

If the Township would have agreed to all prior and current adjustments, the Gasoline Tax Fund balance would have been \$443,759 and \$431,782 for December 31, 2021 and 2020, respectively. The General Fund balance would have a deficit balance of (\$52,069) and (\$40,793) at December 31, 2021 and 2020, respectively.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in favor of the Gasoline Tax Fund in the cumulative amount of \$149,576.

The Township should implement procedures to properly allocate salaries based upon the requirements in the Ohio Rev. Code section noted above and certifications prepared by Township officials to provide for accurate fund balances. Failure to properly allocate officials' salaries in accordance with the above Ohio Rev. Code section and certifications could lead to misallocation of funds, misstated financial statements, and overspending of the Township's budget.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2021-002

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 and A16.

The Township did not have procedures in place to accurately post financial transactions to the accounting system. The Township's financial statements contained the following material errors, which were adjusted on the financial statements and in the accounting system as applicable:

- In 2020, General Fund Property Taxes were overstated by \$4,952 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2020, the Road and Bridge Fund Property Taxes were overstated by \$20,205 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2020, the Cemetery Fund Property Taxes were overstated by \$6,657 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2020, the Fire District Fund Property Taxes were overstated by \$9,229 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2020, the Special Levy Road Fund Property Taxes were overstated by \$1,553 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2020, the Ambulance Fund Property Taxes were overstated by \$4,604 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2020, General Fund Property Taxes were overstated and Special Assessments understated by \$3,254 due to improper posting of special assessment receipts.
- In 2020, the Road and Bridge Fund Property Tax Receipts and Ending Fund Balance were understated and Special Levy Road Fund Property Tax Receipts and Ending Fund Balance were overstated by \$24,148 due to posting property taxes to the incorrect fund.
- In 2020, the Road and Bridge Fund Property Tax Receipts and Ending Fund Balance were overstated and Special Levy Road Fund Property Tax Receipts and Ending Fund Balance were understated by \$1,494 due to posting tangible personal property tax to the incorrect fund.
- In 2021, General Fund Property Taxes were overstated by \$5,190 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2021, the Road and Bridge Fund Property Taxes were overstated by \$18,944 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2021, the Cemetery Fund Property Taxes were overstated by \$6,582 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2021, the Fire District Fund Property Taxes were overstated by \$9,297 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2021, the Special Levy Road Fund Property Taxes were overstated by \$2,869 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.

FINDING NUMBER 2021-002
(Continued)

- In 2021, the Ambulance Fund Property Taxes were overstated by \$4,638 and Intergovernmental Revenue understated by the same amount due to improper posting of homestead/rollback reimbursements.
- In 2021, the Road and Bridge Fund Property Tax Receipts and Ending Fund Balance were overstated and Special Levy Road Fund Property Tax Receipts and Ending Fund Balance were understated by \$20,585 due to posting property taxes to the incorrect fund.
- In 2021, the Township received \$220,000 in Ohio Public Works Commission (OPWC) grant and loan proceeds for completion of the Millers Fork Road Improvement Project. However, these amounts were not recorded in the Township's accounting system. For the grant portion, Special Levy Road Fund Capital Outlay Expenditures and Intergovernmental Receipts were understated by \$110,000. For the loan portion, Special Levy Road Fund Capital Outlay Expenditures and Loan Proceeds were understated by \$16,162; Gasoline Tax Fund Capital Outlay Expenditures and Loan Proceeds were understated by \$93,838.

The Township's financial statements contained the following immaterial errors, which were not adjusted on the financial statements:

- In 2020, General Fund General Government Expenditures and Special Assessments were understated by \$156 due to posting special assessments at net rather than gross.

The failure to correctly classify financial activity on the financial statements and post financial activity to the accounting system may impact the user's understanding of the financial operations, the Board's ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts. The Township should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly.

The errors identified should be reviewed by the Board to help prevent similar errors in subsequent years. In addition to the monthly review of financial reports, the Board should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

Official's Response:

Officials did not provide a response to this finding.

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**HARRISON TOWNSHIP
PREBLE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Noncompliance/Material Weakness and Finding for Adjustment – Trustee Compensation	Not Corrected	Repeated as Finding 2021-001
2019-002	Material Weakness – Financial Statement Misstatement	Not Corrected	Repeated as Finding 2021-002

OHIO AUDITOR OF STATE KEITH FABER



HARRISON TOWNSHIP

PREBLE 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 1/31/2023

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