



**Auditor of State
Betty Montgomery**

HARRIS TOWNSHIP
OTTAWA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Harris Township
Ottawa County
321 Rice Street, P.O. Box 341
Elmore, OH 43416-0341

To the Board of Trustees:

We have audited the accompanying financial statements of Harris Township, Ottawa County, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Harris Township
Ottawa County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 27, 2003

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$87,528	\$251,685		\$339,213
Intergovernmental	96,314	92,275	\$42,725	231,314
Charges for Services	77,085			77,085
Licenses, Permits, and Fees	3,831	6,450		10,281
Earnings on Investments	4,357			4,357
Other Revenue		10,566		10,566
Total Cash Receipts	<u>269,115</u>	<u>360,976</u>	<u>42,725</u>	<u>672,816</u>
Cash Disbursements:				
Current:				
General Government	86,307			86,307
Public Safety	104,720			104,720
Public Works	14,683	224,282		238,965
Health	9,852	40,036		49,888
Debt Service:				
Redemption of Principal	138,712	71,288		210,000
Interest and Fiscal Charges	11,178			11,178
Capital Outlay	84,258	8,445	42,725	135,428
Total Cash Disbursements	<u>449,710</u>	<u>344,051</u>	<u>42,725</u>	<u>836,486</u>
Total Receipts Over/(Under) Disbursements	<u>(180,595)</u>	<u>16,925</u>		<u>(163,670)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	138,713			138,713
Total Other Financing Receipts/(Disbursements)	<u>138,713</u>			<u>138,713</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(41,882)	16,925		(24,957)
Fund Cash Balances, January 1	<u>207,039</u>	<u>287,763</u>		<u>494,802</u>
Fund Cash Balances, December 31	<u>\$165,157</u>	<u>\$304,688</u>		<u>\$469,845</u>

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

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$84,486	\$242,350	\$326,836
Intergovernmental	101,968	93,117	195,085
Charges for Services	49,475		49,475
Licenses, Permits, and Fees	3,005	7,517	10,522
Earnings on Investments	8,839		8,839
Other Revenue		4,506	4,506
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	247,773	347,490	595,263
Cash Disbursements:			
Current:			
General Government	88,374		88,374
Public Safety	74,654		74,654
Public Works	12,686	169,047	181,733
Health	10,388	33,075	43,463
Debt Service:			
Redemption of Principal	226,919	73,081	300,000
Interest and Fiscal Charges	16,380		16,380
Capital Outlay	27,469	85,791	113,260
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	456,870	360,994	817,864
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(209,097)	(13,504)	(222,601)
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Notes	210,000		210,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	210,000		210,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	903	(13,504)	(12,601)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	206,136	301,267	507,403
Fund Cash Balances, December 31	<hr/> \$207,039	<hr/> \$287,763	<hr/> \$494,802
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$81,106	\$5,395	\$86,501

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

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harris Township, Ottawa County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, emergency medical services and general government services.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

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

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project funds

Issue II Fund - The Township received a grant from the State of Ohio to replace a culvert on Any Avenue.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$469,845	\$494,802

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$336,100	\$407,828	\$71,728
Special Revenue	351,100	360,976	9,876
Capital Projects	64,132	42,725	(21,407)
Total	\$751,332	\$811,529	\$60,197

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$543,106	\$449,710	\$93,396
Special Revenue	554,183	344,051	210,132
Capital Projects	64,132	42,725	21,407
Total	\$1,161,421	\$836,486	\$324,935

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$378,000	\$457,773	\$79,773
Special Revenue	356,700	347,490	(9,210)
Debt Service	316,200		(316,200)
Capital Projects	64,132		(64,132)
Total	\$1,115,032	\$805,263	(\$309,769)

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$584,067	\$537,976	\$46,091
Special Revenue	583,029	366,389	216,640
Debt Service			
Capital Projects	64,132		64,132
Total	\$1,231,228	\$904,365	\$326,863

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Commercial Bank Loan	\$138,713	3.75%

The commercial bank loan was issued to finance the purchase of a new fire truck for Township Fire Department. The loan is collateralized solely by the Township's new fire truck

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

	Commercial Bank Loan
Year ending December 31: 2002	\$143,987

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2002 and 2001, respectively. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Commercial auto.
- Commercial fire.
- General liability.
- Inland marine.
- Ohio Township Official's Liability Policy.

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

8. SUBSEQUENT EVENTS

On March 17, 2003, the Township rolled over the commercial bank loan for \$70,798 at 3.75 percent interest.

9. COMPLIANCE

The Township did not comply with the bidding requirements when preparing the bid specifications for a new ambulance for the Township.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Harris Township
Ottawa County
321 Rice Street, P.O. Box 341
Elmore, OH 43416-0341

To the Board of Trustees:

We have audited the accompanying financial statements of Harris Township, Ottawa County, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 27, 2003. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 27, 2003.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 27, 2003.

This report is intended solely for the information and use of management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

June 27, 2003

**HARRIS TOWNSHIP
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Fischer Auto & Service Co. v. City of Cincinnati, 26 Ohio Dec. 103, 16 Ohio N.P. (N.S.) 369, 1914 WL 1676 (Ohio Super. Aug 24, 1914) requires that bids specifications cannot be so written as to intentionally be capable of being filled by only one manufacturer. The Township bid specifications for the new ambulance purchased were written to only allow one manufacturer to bid on the specifications.

Management was advised that the failure to provide generic specifications to allow every party the same opportunity to place a quote could result in the Township to be challenged in a court of law and be held liable by the court.

We recommend that the Township prepare generic specifications when advertising for sealed bids on all equipment purchases. We further recommend the Township try to obtain some generic bid specifications from some of the other governmental agencies around the Township whom have purchased new ambulances in recent years.



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

HARRIS TOWNSHIP

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 19, 2003**