



**Auditor of State
Betty Montgomery**

HARRISON TOWNSHIP
MONTGOMERY COUNTY

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**Auditor of State
Betty Montgomery**

Harrison Township
Montgomery County
5945 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Betty Montgomery
Auditor of State

August 19, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township
Montgomery County
5945 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Montgomery County, (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison Township, Montgomery County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 19, 2005

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$216,286	\$5,478,011	\$41,269		\$5,735,566
Intergovernmental	1,069,274	822,610		\$2,794,260	4,686,144
Special Assessments		169,076			169,076
Charges for Services		1,593,250			1,593,250
Licenses, Permits, and Fees	40,381				40,381
Fines, Forfeitures, and Penalties	15,633				15,633
Earnings on Investments	261,802	10,796			272,598
Other Revenue	173,757	423,015			596,772
	<u>1,777,133</u>	<u>8,496,758</u>	<u>41,269</u>	<u>2,794,260</u>	<u>13,109,420</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	1,191,404	9,539			1,200,943
Public Safety		5,320,918			5,320,918
Public Works	10,000	2,037,874			2,047,874
Health	725				725
Conservation - Recreation	79,199				79,199
Miscellaneous			399		399
Debt Service:					
Redemption of Principal			50,000	3,000,000	3,050,000
Interest and Fiscal Charges			24,000	42,000	66,000
Capital Outlay	7,897	957,354		5,258,292	6,223,543
	<u>1,289,225</u>	<u>8,325,685</u>	<u>74,399</u>	<u>8,300,292</u>	<u>17,989,601</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>487,908</u>	<u>171,073</u>	<u>(33,130)</u>	<u>(5,506,032)</u>	<u>(4,880,181)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				3,100,000	3,100,000
Transfers-In		50,000	33,130	27,010	110,140
Transfers-Out	(110,140)				(110,140)
	<u>(110,140)</u>	<u>50,000</u>	<u>33,130</u>	<u>3,127,010</u>	<u>3,100,000</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	377,768	221,073		(2,379,022)	(1,780,181)
Fund Cash Balances, January 1	3,357,242	4,989,179		6,024,306	14,370,727
Fund Cash Balances, December 31	<u>\$3,735,010</u>	<u>\$5,210,252</u>	<u>\$0</u>	<u>\$3,645,284</u>	<u>\$12,590,546</u>

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$217,755	\$5,262,488	\$37,707		\$5,517,950
Intergovernmental	910,423	794,225		\$621,885	2,326,533
Special Assessments		154,903			154,903
Charges for Services		1,520,502			1,520,502
Licenses, Permits, and Fees	39,779				39,779
Fines, Forfeitures, and Penalties	21,766				21,766
Earnings on Investments	226,962	7,258			234,220
Other Revenue	217,734	55,871			273,605
	<u>1,634,419</u>	<u>7,795,247</u>	<u>37,707</u>	<u>621,885</u>	<u>10,089,258</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	1,284,973	5,749			1,290,722
Public Safety		4,808,389			4,808,389
Public Works	10,000	2,032,389			2,042,389
Health	2,231				2,231
Conservation - Recreation	70,616				70,616
Miscellaneous			227		227
Debt Service:					
Redemption of Principal			50,000		50,000
Interest and Fiscal Charges			27,000		27,000
Capital Outlay	25,157	695,242		1,033,009	1,753,408
	<u>1,392,977</u>	<u>7,541,769</u>	<u>77,227</u>	<u>1,033,009</u>	<u>10,044,982</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>241,442</u>	<u>253,478</u>	<u>(39,520)</u>	<u>(411,124)</u>	<u>44,276</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes				3,000,000	3,000,000
Transfers-In		260,355	7,543		267,898
Transfers-Out	(267,898)				(267,898)
	<u>(267,898)</u>	<u>260,355</u>	<u>7,543</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total Other Financing Receipts/(Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(26,456)</u>	<u>513,833</u>	<u>(31,977)</u>	<u>2,588,876</u>	<u>3,044,276</u>
Fund Cash Balances, January 1	<u>3,383,698</u>	<u>4,475,346</u>	<u>31,977</u>	<u>3,435,430</u>	<u>11,326,451</u>
Fund Cash Balances, December 31	<u>\$3,357,242</u>	<u>\$4,989,179</u>	<u>\$0</u>	<u>\$6,024,306</u>	<u>\$14,370,727</u>

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Montgomery 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, fire protection, zoning, community development and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

The Township has created a community improvement corporation which is a not for profit corporation existing to advance, encourage and promote industrial, economic, commercial and civic development of a community or area. The Township appoints a voting majority of the organization's governing board and is financially accountable for the organization. Under accounting principles generally accepted in the United States of America (GAAP) the community improvement corporation would qualify as a component unit. As discussed in the Independent Accountants' Report, the Township does not report under GAAP. There was no significant financial activity during the two fiscal years.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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 Auditor of State prescribes or permits.

C. Cash 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.

Treasury Bonds and Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

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

Garbage and Waste Fund - This fund receives garbage and waste fee receipts for garbage collection services provided to the citizens of Harrison Township.

Police District Fund – This fund receives property tax money to provide police services to the citizens of Harrison Township.

Fire District Fund - This fund receives property tax money to provide fire fighting services to the citizens of Harrison Township.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Tax Increment Revenue Note Fund - Financing for the development of The Executive Commercial Park.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Funds:

Capital Projects Fund – Fire Station - The Township established this fund to construct a new fire station.

Public Works Commission Project Fund - The Township received a grant from the State of Ohio to improve storm drainage, reconstruct streets, and add additional curbs and gutters in the Ome Gardens subdivision.

E. Budgetary Process

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

1. Appropriations

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	(\$1,803)	\$423,196
U.S. Treasury Bonds and Notes	8,836,699	7,280,764
STAR Ohio	3,755,650	6,666,767
Total investments	12,592,349	13,947,531
Total deposits and investments	\$12,590,546	\$14,370,727

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

Investments: The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,813,560	\$1,777,133	(\$36,427)
Special Revenue	8,407,923	8,546,758	138,835
Debt Service	41,269	74,399	33,130
Capital Projects	5,339,932	5,921,270	581,338
Total	<u>\$15,602,684</u>	<u>\$16,319,560</u>	<u>\$716,876</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,136,576	\$1,399,365	\$737,211
Special Revenue	9,538,426	8,325,685	1,212,741
Debt Service	93,299	74,399	18,900
Capital Projects	9,313,226	8,300,292	1,012,934
Total	<u>\$21,081,527</u>	<u>\$18,099,741</u>	<u>\$2,981,786</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,725,800	\$1,634,419	(\$91,381)
Special Revenue	8,075,022	8,055,602	(19,420)
Debt Service	106,607	45,250	(61,357)
Capital Projects	921,885	3,621,885	2,700,000
Total	<u>\$10,829,314</u>	<u>\$13,357,156</u>	<u>\$2,527,842</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,404,762	\$1,660,875	\$743,887
Special Revenue	9,003,272	7,541,769	1,461,503
Debt Service	77,285	77,227	58
Capital Projects	4,313,950	1,033,009	3,280,941
Total	<u>\$15,799,269</u>	<u>\$10,312,880</u>	<u>\$5,486,389</u>

The Township did not comply with Section 5705.39 of the Ohio Revised Code. The appropriations exceeded estimated resources during 2004 in the Tax Increment Revenue Note Fund, and the Public Works Commission Project Fund. Appropriations also exceeded estimated resources during 2003 in the Road and Bridge Fund and the Public Works Commission Project Fund.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

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

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, 2004 was as follows:

	Principal	Interest Rate
Tax Increment Revenue Notes	\$350,000	6.00%
Bond Anticipation Note	3,100,000	2.10%
Total	\$3,450,000	

The Township issued tax increment revenue notes for improvements and to encourage development in the Executive Commercial Park area, including street and utility improvements. The bond anticipation note was issued for the building of a new fire station. The Township's taxing authority collateralized the anticipation note.

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

	Tax Increment Revenue Notes	Bond Anticipation Note
Year ending December 31:		
2005	\$71,000	\$3,164,919
2006	73,000	
2007	69,700	
2008	71,400	
2009	72,800	
2010	68,900	
Total	\$426,800	\$3,164,919

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



Auditor of State Betty Montgomery

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

Harrison Township
Montgomery County
5945 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Montgomery County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 19, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Township's management dated August 19, 2005, we reported a matter related to noncompliance we deemed immaterial.

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Harrison Township
Montgomery County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for 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

August 19, 2005

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.39 requires that the total appropriation from each fund shall not exceed the total estimated resources. Furthermore, no appropriation measure is to become effective until the county auditor files a certificate that the total appropriation from each fund does not exceed the total official estimate or amended official estimate of resources.

As discussed in Auditor of State Bulletin 97-012, if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, an advance should be used to prevent a negative fund balance. During the fiscal years 2004 and 2003 there were four instances where appropriations exceeded estimated resources:

<u>Fund</u>	<u>Fiscal Year</u>	<u>Certificate of Estimated Resources</u>	<u>Total Appropriations</u>	<u>Amount that Appropriations Exceed Resources</u>
Road & Bridge	2003	1,250,859	1,514,247	263,388
Public Works Commission Project	2003	621,885	1,401,706	779,821
Tax Increment Revenue Note	2004	41,269	93,299	52,030
Public Works Commission Project	2004	2,287,977	3,351,226	1,063,249

Furthermore, the Township failed to file amended appropriations with the county auditor which resulted in the appropriations not being properly certified as to exceeding the estimated resources.

The Township should implement policies and procedures to prevent appropriations from exceeding the total amount of estimated resources. All amended appropriations should be submitted to the county auditor for proper certification.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer'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 sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2004-002
(Continued)**

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) 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** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and 3 months). 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 Township 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, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 80% of transactions tested nor was there evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in misappropriation of monies 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 assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility that Township funds will exceed budgetary spending limitations, we recommend that the Township's Treasurer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, “then and now” certification should be used. We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

HARRISON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC 5705.39 – Appropriations exceeding estimated resources.	No	Repeated as Finding 2004-001



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HARRISON TOWNSHIP

MONTGOMERY 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
NOVEMBER 29, 2005**