



Mary Taylor, CPA
Auditor of State

HARRISON TOWNSHIP
PREBLE COUNTY

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Mary Taylor, CPA

Auditor of State

Harrison Township
Preble County
300 East South Water Street
Lewisburg, Ohio 45338

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 an 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 adverse 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 20, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township
Preble County
300 East South Water Street
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

Also, 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 Harrison Township, Preble County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8 to the financial statements, the Township has a negative General Fund balance of \$10,146 as of December 31, 2006. The financial statements do not include any adjustment relating to the amounts and classifications of liabilities that might be necessary if the Township is unable to meet its debts as they come due or if these debts required adjustment under the provisions of Chapter Nine of the Federal Bankruptcy Code. Note 8 also describes Management's plans regarding this matter.

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 November 20, 2007, 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.



Mary Taylor, CPA
Auditor of State

November 20, 2007

**HARRISON TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$40,186	\$371,044	\$411,230
Licenses, Permits, and Fees		51,363	51,363
Intergovernmental	25,088	184,052	209,140
Special Assessments		224	224
Earnings on Investments	15,296	536	15,832
Miscellaneous	646	13,295	13,941
Total Cash Receipts	81,216	620,514	701,730
Cash Disbursements:			
Current:			
General Government	85,268	50,984	136,252
Public Safety		90,067	90,067
Public Works		307,371	307,371
Health	12,500	76,079	88,579
Capital Outlay	1,790	41,751	43,541
Total Cash Disbursements	99,558	566,252	665,810
Total Receipts Over/(Under) Disbursements	(18,342)	54,262	35,920
Other Financing Receipts / (Disbursements):			
Advances-In		5,000	5,000
Advances-Out	(5,000)		(5,000)
Total Other Financing Receipts / (Disbursements)	(5,000)	5,000	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(23,342)	59,262	35,920
Fund Cash Balances, January 1	13,196	558,830	572,026
Fund Cash Balances, December 31	(\$10,146)	\$618,092	\$607,946
Reserve for Encumbrances, December 31	\$253	\$353	\$606

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$39,369	\$373,005	\$412,374
Licenses, Permits, and Fees		64,646	64,646
Intergovernmental	62,133	155,325	217,458
Special Assessments		173	173
Earnings on Investments	8,235	763	8,998
Miscellaneous	1,694	5,569	7,263
	<u>111,431</u>	<u>599,481</u>	<u>710,912</u>
Cash Disbursements:			
Current:			
General Government	63,931	48,069	112,000
Public Safety		90,000	90,000
Public Works		312,119	312,119
Health	6,556	92,498	99,054
Conservation - Recreation		277	277
Capital Outlay		62,198	62,198
	<u>70,487</u>	<u>605,161</u>	<u>675,648</u>
Total Cash Disbursements	<u>70,487</u>	<u>605,161</u>	<u>675,648</u>
Total Receipts Over/(Under) Disbursements	<u>40,944</u>	<u>(5,680)</u>	<u>35,264</u>
Other Financing Receipts / (Disbursements):			
Advances-In	10,000	10,000	20,000
Advances-Out	(10,000)	(10,000)	(20,000)
Refund of PY Expenditures	889	2,481	3,370
Other Financing Uses	(18,905)		(18,905)
	<u>(18,016)</u>	<u>2,481</u>	<u>(15,535)</u>
Total Other Financing Receipts / (Disbursements)	<u>(18,016)</u>	<u>2,481</u>	<u>(15,535)</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	22,928	(3,199)	19,729
Fund Cash Balances, January 1	<u>(9,732)</u>	<u>562,029</u>	<u>552,297</u>
Fund Cash Balances, December 31	<u>\$13,196</u>	<u>\$558,830</u>	<u>\$572,026</u>
Reserve for Encumbrances, December 31	<u>\$253</u>	<u>\$353</u>	<u>\$606</u>

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The organization is:

OTARMA which is a public entity risk pool that provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP).

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and deposits 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.

2. Special Revenue Funds

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

Cemetery Fund – This fund receives proceeds from the sale of cemetery lots for maintaining Township cemeteries.

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 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 canceled, and reappropriated in the subsequent year. However, the Township carries over payroll encumbrances at year end. The Township did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 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.

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. Equity in Pooled Cash and Deposits

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

	2005	2006
Demand deposits	\$272,026	\$307,946
Certificates of deposit	300,000	300,000
Total deposits	\$572,026	\$607,946

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

During the audit period deposits up to \$223,900 were not insured or collateralized, contrary to Ohio law.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,070	\$81,216	\$10,146
Special Revenue	548,635	620,514	71,879
Total	\$619,705	\$701,730	\$82,025

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,900	\$99,811	\$6,089
Special Revenue	648,320	566,605	81,715
Total	\$754,220	\$666,416	\$87,804

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,000	\$112,320	\$42,320
Special Revenue	530,155	601,962	71,807
Total	\$600,155	\$714,282	\$114,127

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,000	\$89,645	(\$19,645)
Special Revenue	687,250	605,514	81,736
Total	\$757,250	\$695,159	\$62,091

Contrary to Ohio law:

- at December 31, 2006, the General Fund had a cash deficit balance of \$10,146;
- the Township did not submit the 2006 tax rate resolution by the required date;
- the Fiscal Officer made adjustments that were not approved by the Trustees;
- expenditures exceeded appropriations in the General Fund and FEMA Fund in 2005 and in the Gasoline Tax Fund and Road and Bridge Fund in 2006;
- appropriations exceeded estimated resources in the General Fund for 2005 and 2006;
- the 2006 annual appropriation resolution was not passed by the required date;
- at December 31, 2006, estimated receipts exceeded actual receipts in the Permissive Motor Vehicle License Tax Fund and the Ambulance and Emergency Medical Services Fund. Furthermore, appropriations exceeded the available fund balance in these funds.

4. Property Tax

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

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.

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

5. Retirement Systems

The Township's 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township did not pay all contributions required through December 31, 2006.

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$19,214. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. Risk Management (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2004	\$8,836
2005	\$8,886
2006	\$9,607

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Related Party Transactions

The Township Fiscal Officer is part owner of a local gas station, Webster Station, from which the Township acquired fuel and supplies during the audit period. The Township paid \$8,957 for fuel in 2005 and \$5,287 for fuel and supplies in 2006.

8. Negative Fund Balance – Subsequent Event

As of December 31, 2006, the General Fund had a negative balance of \$10,146 resulting from audit adjustments. As of the date of the auditor's opinion, management has not developed plans to address this condition. As of the Township's fund status report at November 13, 2007, the unaudited General fund balance (with 2005 and 2006 audit adjustment being posted) is \$27,510.

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Mary Taylor, CPA

Auditor of State

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

Harrison Township
Preble County
300 East South Water Street
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the financial statements of the Harrison Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 20, 2007, 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, and the Township had a negative General Fund balance of \$10,146 as of December 31, 2006. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-001 is also a material weakness.

We also noted certain matters that we reported to the Township's management in a separate letter dated November 20, 2007.

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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items: 2006-001, 2006-002, 2006-003 and 2006-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated November 20, 2007.

We intend this report solely for the information and use of the Township Board of Trustees and management. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 20, 2007

**HARRISON TOWNSHIP
PREBLE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness/Material Noncompliance

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacks management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- Manufactured home, 2½% property tax rollback, and homestead receipts of \$228 in 2005 and \$112 in 2006 were posted entirely to the General Fund, rather than being posted to the funds as indicated on the county auditor tax settlement sheets.
- The 1st half manufactured home tax in 2005 was posted at net instead of gross (\$25).
- In March 2005, Local Government Revenue in the amount of \$153 was erroneously posted to Motor Vehicle License Tax that should have been posted to Permissive Motor Vehicle License Tax.
- Public utility reimbursements of \$5,842 for each year were posted as Tax Revenues; they should have been posted as Intergovernmental Revenue.
- Public utility reimbursement receipts of \$5,376 for 2005 year were incorrectly posted to the General Fund.
- The Tangible Personal Tax reimbursement (HB66) of \$32,953 in 2006 was posted to Tax Revenue; it should have been posted as Intergovernmental Revenue.
- In 2005 the Township charged the expenditure in the amount of \$18,905 for the 2002 Estate Tax Settlement Refund to the Gasoline Fund. It should have been paid out of the General Fund.

Numerous adjustments were needed to properly classify the monies received and expended. The net adjustments made to each fund balance is as follows:

Fund	2005	2006
General Fund	(\$24,511)	\$317
Road & Bridge Fund	1,512	(153)
Permissive Motor Vehicle License Tax Fund	153	(800)
Motor Vehicle License Tax Fund	(153)	0
Fire Fund	1,345	(123)
Cemetery Fund	1,183	233
EMS Fund	633	240
Special Levy Road Fund	828	(50)
Cemetery Stone Restoration Fund	104	335

**FINDING NUMBER 2006-002
(Continued)**

Failure to properly post revenue and expenditures can result in inaccurate records and cause the Township to misappropriate funds. We recommend that all county and state revenue receipts be properly posted. Also, all expenditures should be properly posted. Receipts and expenditures posted to the ledgers should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt or expenditure has been properly posted. To improve accountability and record keeping, we recommend that the Township post receipts and expenditures to the correct funds and line items.

Ohio Rev. Code, Section 5705.10, states money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Township had a negative fund balance in the General Fund of \$10,146 at December 31, 2006 resulting from audit adjustments. Failure to properly monitor funds could result in financial difficulties for the Township. We recommend the Township monitor funds so that negative balances do not occur.

FINDING NUMBER 2006-002

Significant Deficiency/Material Noncompliance

Ohio Revised Code, Section 5705.41(D)(1), 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.

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 for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three 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.

**FINDING NUMBER 2006-002
(Continued)**

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 line item appropriation.

20% of the transactions tested in 2005 and 40% of transactions tested in 2006 were not certified by the fiscal officer at the time the commitment was incurred. We were unable to determine if 5% of the transactions tested in 2005 and 10% of the transactions tested in 2006 were properly certified because the invoices were not dated. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. The Township did utilize Blanket Certificates.

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 of the Township's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used. Invoices lacking a date should be dated by the Fiscal Officer when received.

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.

FINDING NUMBER 2006-003

Significant Deficiency/Material Noncompliance

Ohio Rev. Code, Section 135.18, requires that the treasurer of a political subdivision must require a depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

The Township's deposits were not adequately covered by collateral at all times during the audit period. During the audit period deposits exceeded legal security (FDIC and pledged collateral) by up to \$223,900. Failure to adequately collateralize deposits can result in loss of funds. The Township should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

FINDING NUMBER 2006-004

Significant Deficiency/Material Noncompliance

Ohio Rev. Code, Section 5705.34, states each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The Township did not submit the 2006 Tax Rate Resolution by the required date. The County Commissioners extended the deadline to December 1, 2005. The Township filed the resolution on January 11, 2006. Failure to submit the resolution by the deadline could result in the loss of tax money.

We recommend the Township implement procedures to authorize the necessary tax levies by or before the required filing date.

Ohio Rev. Code, Section 5704.40, states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The Fiscal Officer made adjustments to appropriations that were not approved by the Trustees. Failure to have all supplemental appropriations approved by the Trustees may result in misappropriation of funds and inadequate monitoring of the budget. We recommend that all supplemental appropriations be approved by the Trustees.

Ohio Rev. Code, Section 5705.41(B), states no taxing authority shall make any expenditures of money unless it has been appropriated. Expenditures exceeded appropriations in the General Fund and FEMA Fund in 2005 and in the Gasoline Tax Fund and Road and Bridge Fund in 2006. Failure to properly monitor appropriations and expenditures could result in expenditures in excess of the budget amounts and ultimately in negative cash balances and undetected errors, theft or fraud. We recommend that the Township take steps to ensure appropriations are being properly monitored and recorded in the ledgers. No expenditures should be made unless there are sufficient appropriations to cover the expenditures.

Fund	Expenditures	Appropriations	Variance
General Fund – 2005	\$89,644	\$70,000	\$19,644
FEMA Fund – 2005	8,725	0	8,725
Gasoline Tax Fund – 2006	91,486	90,200	1,286
Road and Bridge Fund – 2006	149,960	140,200	9,760

Ohio Rev. Code, Section 5705.39, states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2005 and 2006, appropriations exceeded estimated resources in the General Fund. Failure to properly monitor appropriations and estimated resources could result in overspending of funds and negative fund cash balances. The Township should adopt procedures to monitor that the total appropriations from each fund do not exceed the official or amended estimate of resources.

Fund	Estimated Receipts	Appropriations	Variance
General Fund – 2005	\$60,269	\$70,000	\$9,731
General Fund – 2006	84,267	105,900	21,633

**FINDING NUMBER 2006-004
 (Continued)**

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The 2006 Annual Appropriation Resolution was not passed by the required date. The County Commissioner extended the required filing date to February 1, 2006. The Township passed their Annual Appropriation Resolution on February 8, 2006. Failure to submit the resolution by the deadline could result in the loss of tax money. We recommend the Township implement procedures to pass the annual appropriation resolution by or before the required filing date.

Ohio Rev. Code, Section 5705.36(A)(4), requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

At December 31, 2006 estimated receipts exceeded actual receipts in the Permissive Motor Vehicle License Tax Fund and the Ambulance and Emergency Medical Services Fund. Furthermore, appropriations exceeded the available fund balance in these funds. Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances. We recommend that the Township monitor estimated and actual receipts and obtain amendments when required.

Fund	Appropriations	Available Fund Balance	Variance
Permissive Motor Vehicle License Tax	\$31,000	\$30,448	\$552
Ambulance and Emergency Medical Services	56,000	49,663	6,337

Advances:

Per Auditor of State Bulletin 97-003, in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established; the reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and advances must be approved by a formal resolution of the taxing authority of the subdivision. The Township made an advance of \$10,000 in 2005 and an advance of \$5,000 in 2006. These advances were not approved via resolution. Failure to properly approve advances could result in the misuse of funds and negative cash balances. We recommend that the Township follow the guidance provided in Auditor of State Bulletin 97-003.

Fund Balance Adjustments:

The Fiscal Officer made transfer adjustments to the December 31, 2004 fund balances. Supporting documentation was not provided for these adjustments. Failure to properly use transfers or provide supporting documentation for adjustments may cause the misuse of funds and negative fund balances. We recommend the Township follow Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 governing the use of transfers. We also recommend the Township provide supporting document for all fund balance adjustments.

**FINDING NUMBER 2006-004
(Continued)**

Estimated Resources:

The Township's certificates of estimated resources for 2005 and 2006 had incorrect beginning fund balances. This was due to audit fund balance adjustments that were not reflected on the certificates. Also, the Township did not properly post all estimated resources for 2005 and 2006.

Failure to properly document estimated receipts could result in expenditures in excess of the budget amounts and ultimately in negative cash balances and undetected errors. We recommend that the Township take steps to ensure estimated receipts are being properly monitored and recorded in the ledgers.

Officials' Response:

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code Section 5705.41(D), failure to properly certify funds	No	Not corrected – Reissued as finding 2006-002
2004-002	Ohio Rev. Code Section 135.18, failure to adequately collateralize deposits	No	Not corrected – Reissued as finding 2006-003
2004-003	Failure to properly post tax and intergovernmental receipts	No	Not corrected – Reissued as finding 2006-001
2004-004	Finding for Recovery against Fiscal Officer for overpayment of insurance reimbursement	Yes	Repaid under prior audit



Mary Taylor, CPA
Auditor of State

HARRISON TOWNSHIP

PREBLE 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
DECEMBER 24, 2007**