

**HARRISON TOWNSHIP
LICKING COUNTY**

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Harrison Township
3886 Outville Road
Granville, Ohio 43023

We have reviewed the *Independent Auditors' Report* of Harrison Township, Licking County, prepared by Wilson, Shannon & Snow, Inc., for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Harrison Township is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

February 26, 2009

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**HARRISON TOWNSHIP
LICKING COUNTY**

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INDEPENDENT AUDITORS' REPORT

Harrison Township
Licking County
3886 Outville Road
Granville, Ohio 43023

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Licking County, (the Township) as of and for the years ended December 31, 2007 and 2006. 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.

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 Township's 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Wilson, Shannon & Snow, Inc.

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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, Licking County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 December 3, 2008, 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.

Wilson, Sherman & Sons, Inc.

December 3, 2008

**HARRISON TOWNSHIP
LICKING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$156,372	\$708,749	\$865,121
Intergovernmental	81,667	285,842	367,509
Special Assessments	0	1,800	1,800
Licenses, Permits, and Fees	43,167	0	43,167
Earnings on Investments	111,572	29,465	141,037
Other Revenue	1,870	15,401	17,271
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	394,648	1,041,257	1,435,905
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	239,602	6,241	245,843
Public Works	688	257,711	258,399
Health	28,357	0	28,357
Capital Outlay	14,872	323,768	338,640
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	283,519	587,720	871,239
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	111,129	453,537	564,666
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	790,520	1,646,165	2,436,685
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$901,649</u>	<u>\$2,099,702</u>	<u>\$3,001,351</u>

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

**HARRISON TOWNSHIP
LICKING 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**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$150,049	\$695,122	\$845,171
Intergovernmental	234,319	166,659	400,978
Special Assessments	0	11	11
Licenses, Permits, and Fees	58,430	0	58,430
Earnings on Investments	82,085	22,657	104,742
Other Revenue	8,790	7,440	16,230
	<u>533,673</u>	<u>891,889</u>	<u>1,425,562</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	220,266	512	220,778
Public Works	896	274,388	275,284
Health	25,103	0	25,103
Capital Outlay	45,211	572,114	617,325
	<u>291,476</u>	<u>847,014</u>	<u>1,138,490</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	242,197	44,875	287,072
Fund Cash Balances, January 1	548,323	1,601,290	2,149,613
Fund Cash Balances, December 31	<u>\$790,520</u>	<u>\$1,646,165</u>	<u>\$2,436,685</u>

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

**HARRISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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, Licking 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 and cemetery maintenance.

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

The Township participates in a jointly governed organization to operate the West Licking Joint Fire District and the Ohio Government Risk Management Plan, a public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities.

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 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 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.

The Township values the sweep account at cost. STAR Ohio is recorded at share values the mutual funds report.

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:

**HARRISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

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.

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 2007 and 2006 budgetary activity appears in Note 3.

**HARRISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2007	2006
Demand deposits	(\$36,292)	\$8,380
Total deposits	(36,292)	8,380
Sweep Account	1,988,111	1,434,663
STAR Ohio	1,049,532	993,642
Total investments	3,037,643	2,428,305
Total deposits and investments	\$3,001,351	\$2,436,685

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

At December 31, 2007, the carrying amount of the Township’s deposits was (\$36,292). This does not represent a liability to the Township for the negative carry amount of deposits because there was no actual overdraft due to the “zero balance” nature of the Township’s bank accounts. The negative carrying amount of the deposits is due to the sweeping of monies into overnight sweep accounts.

Investments: The investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Township’s financial institution transfers securities to the Township’s agent to collateralize repurchase agreements. The securities are not in the Township’s name.

**HARRISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,278	\$394,648	\$170,370
Special Revenue	813,331	1,041,257	227,926
Total	\$1,037,609	\$1,435,905	\$398,296

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,076,809	\$283,519	\$793,290
Special Revenue	2,456,202	587,720	1,868,482
Total	\$3,533,011	\$871,239	\$2,661,772

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$220,500	\$533,673	\$313,173
Special Revenue	791,922	891,889	99,967
Total	\$1,012,422	\$1,425,562	\$413,140

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$741,036	\$291,476	\$449,560
Special Revenue	2,377,387	847,014	1,530,373
Total	\$3,118,423	\$1,138,490	\$1,979,933

Contrary to Ohio law, appropriations exceeded estimated resources contrary to Ohio Revised Code Section 5705.39 at December 31, 2007 within the General and Special Revenue-Lighting Assessment Funds by \$62,009 and \$350, respectively. In addition, expenditures exceeded appropriations contrary to the Ohio Revised Code Section 5705.41(B) at December 31, 2006 within the Special Revenue-Road and Bridge Fund by \$83,697.

Furthermore, contrary to Ohio law, the Township did not properly post certain receipts contrary to Ohio Revised Code Section 5705.10.

**HARRISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(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.

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. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a 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 2007 and 2006, OPERS members contributed 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. JOINTLY GOVERNED ORGANIZATION

The Township is a participant among six local government entities in a jointly governed organization to operate the West Licking Joint Fire District. The Fire District was formed to provide emergency services to the residents of West Licking County. The Fire District is governed by a Fire Board consisting of an appointed member from each participating entity. The Township does not have an ongoing financial interest in or ongoing financial responsibility for the Fire District.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

**HARRISON TOWNSHIP
LICKING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RISK MANAGEMENT (Continued)

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	\$ <u>6,862,902</u>	\$ <u>6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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

Harrison Township
Licking County
3886 Outville Road
Granville, Ohio 43023

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Licking County (the Township) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated December 3, 2008, 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 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 and responses to be significant deficiencies in internal control over financial reporting: 2007-001 through 2007-009.

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.

Wilson, Shannon & Snow, Inc.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2007-004 and 2007-006 through 2007-009 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 3, 2008.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2007-001 through 2007-005.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 3, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

Wilson Shuman & Sons, Inc.

December 3, 2008

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

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

Finding Number	2007-001
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Ohio Revised Code Section 5705.39 states in part that the total appropriation from each fund shall not exceed total estimated resources. It was noted that the following funds had appropriations which exceeded estimated resources at December 31, 2007:

<u>Funds</u>	<u>Appropriations</u>	<u>Estimated Resources</u>	<u>Noncompliance</u>
General	\$1,076,809	\$1,014,800	\$62,009
Special Revenue – Lighting Assessment Fund	2,390	2,040	350

With appropriations exceeding estimated resources, the Township is appropriating monies that were not certified by the County Budget Commission. This may result in a fund deficit if not corrected throughout the year.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by comparing adopted appropriations against certified estimated resources on a continual basis, including when the original budget is adopted. If it is determined that estimated resources will be greater than initially anticipated, the Township should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

Official's response: The Fiscal Officer will determine that appropriations are within estimated resources throughout the year.

Finding Number	2007-002
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Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been properly appropriated. It was noted that the following fund had expenditures exceeding appropriations at December 31, 2006:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Noncompliance</u>
Special Revenue Fund – Road & Bridge			
Public Works – Contracts	\$400,000	\$483,697	\$83,697

We recommend that the Township appropriate all expenditures to ensure that expenditures do not exceed appropriations throughout the year. This will help avoid possible fund deficits.

Official's response: The Fiscal Officer will monitor expenditures throughout the year and modify appropriations as considered necessary.

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-003
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Ohio Revised Code Section 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2007 the Township incorrectly posted local government monies totaling \$4,846 to the Township Special Revenue Motor Vehicle License Tax Fund instead of the General Fund, contrary to the settlement sheets provided by the County Auditor.

The adjustment indicated above has been reflected in the accompanying basic financial statements presented in this report.

We recommend the Township Fiscal Officer develop internal control procedures to verify that all revenues are posted to the correct funds and revenue account codes during the year. In addition, the Trustees should review monthly transaction reports to identify improper postings.

Official's response: The Fiscal Officer will develop procedures to ensure that receipts are properly posted.

Finding Number	2007-004
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Ohio Revised Code Section 9.38 states that monies should be deposited with the Township Fiscal Officer or designated depository within 24 hours of collection.

Based on testing performed we noted the Township Fiscal Officer did not deposit the following checks received in a timely manner which resulted in such checks becoming null and void, and a loss of revenue to the Township:

2007

- A liquor permit fee check received from the State of Ohio of \$1,590.40;
- Two refund checks from the Ohio Bureau of Workers Compensation totaling \$283.67.

2006

- A liquor permit fee check received from the State of Ohio of \$359.80;
- Rollback and homestead checks of \$51,427.51 and \$3.68;
- A refund check from the Ohio Public Employees Retirement System of \$386.24;
- A refund check from the Ohio Bureau of Workers Compensation totaling \$134.29.

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-004 (Continued)
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We recommend the Township develop procedures to properly safeguard receipts and implement House Bill 220 (Auditor of State Bulletin 99-020) relative to depositing requirements and procedures. This House Bill requires that monies be deposited on the next business day if the amount of daily receipts exceeds \$1,000. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the public office may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.

Finally, we recommend the Township contact the applicable State Agency to claim the outstanding amounts owed the Township.

Official's response: The Fiscal Officer will develop procedures to ensure that receipts are deposited in a timely manner.

Finding Number	2007-005
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Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority 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 Ohio Rev. Code Sections 5705.41(D)(1) and 5705.41(D)(3), respectively:

Then and Now Certificate - If the fiscal officer can certify that both at the time the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-005 (Continued)
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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. The blanket certificate 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. Certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

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.

We noted that 62% of 2007 and 2006 expenditures tested were not certified by the Fiscal Officer prior to incurring the commitment. It was also found that none of the three exceptions noted above were utilized.

We recommend the Fiscal Officer certify the availability of funds prior to incurring the commitment or any obligations. In addition, the Fiscal Officer should notify all employees of the requirements of Ohio Revised Code Section 5705.41(D) and the importance of certifying availability of funds. 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 an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

Official’s response: The Fiscal Officer will ensure that expenditures are properly certified.

Finding Number	2007-006
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Financial Reports and Bank Reconciliations

The Board of Trustees has the ability to receive financial reports from the Fiscal Officer to monitor the financial activity of the Township. Reports which may aide in reviewing and understanding the monthly financial position of the Township include appropriation summaries, fund summaries, revenue summaries, check registers, payroll reports, bank reconciliations and bank statements.

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

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

Finding Number	2007-006 (Continued)
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Financial Reports and Bank Reconciliations (Continued)

Based upon the limited segregation of duties associated with the Fiscal Officer processing all financial transactions, it is imperative that a level of monitoring be implemented by the Township.

We noted the following matters as it related to the Township’s bank reconciliations and monthly financial reports prepared by the Fiscal Officer:

- Bank reconciliations contained numerous reconciling items and audit adjustments totaling (\$69,177) and (\$66,823) for 2006 and 2007, respectively, were necessary to properly reconcile the Township;
- Although the Township Trustees initialed the bank statements periodically throughout the year, the Trustees should seek explanations for adjustments or reconciling items that are unusual in nature;
- The Township should investigate and void, if necessary, the list of long outstanding checks included within the monthly bank reconciliations;
- The Township should develop a policy addressing financial reporting which would include the reports which should be presented for approval at the monthly meetings. The policy may include the types of financial reports, when the financial reports should be submitted to the Trustees, and the means in which the financial reports would be approved by the Trustees.

We recommend the Trustees increase the level of review and scrutiny over monthly bank reconciliations and monthly financial reports as listed above. Although the items above may not be an all inclusive listing, the Trustees should determine the specific financial information beneficial for review.

Official’s Response: The Trustees will determine the necessary financial information to monitor the Township’s operations.

Finding Number	2007-007
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Proper Expenditure Documentation

The Fiscal Officer is responsible for processing nonpayroll disbursements and matching the check to be paid with the applicable supporting documentation. At the end of each month, a list of bills is presented to the Trustees of which authorization of payment is evidenced in the minutes. Based on testing performed, we noted that disbursements tested did not always have adequate supporting documentation or the amounts paid varied with the invoices by insignificant amounts.

A listing of checks which lacked appropriate documentation (i.e. invoices) were provided to the Township of which proper documentation was later provided to us in order to support the amount paid by the Township.

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-007 (Continued)
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Proper Expenditure Documentation (Continued)

We recommend the Trustees increase the level of review applied to the monthly disbursements presented for approval within the minutes. The Trustees should request all information associated with the payment and ensure the amounts to be paid have supporting documentation. This will help ensure that expenditures relate to a proper public purpose and that proper supporting detail exists prior to payment.

Official's Response: The Fiscal Officer will verify that all expenditures are supported by appropriate documentation.

Finding Number	2007-008
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Payroll Internal Control Cycle

The Township Fiscal Officer is responsible for the processing of payroll, which includes determining proper compensation of the Fiscal Officer, Trustees, and employees. Although we noted that the Trustees authorized the compensation of Township employees in the minutes and also approved monthly check registers, it appears the Trustees do not monitor and scrutinize payroll transactions routinely to determine that payroll appeared reasonable and proper.

We recommend the Township perform a review of its current payroll procedures which may include:

- **Withholding Forms:** Determining the proper federal and state withholding forms are updated and on file for each employee and elected official of the Township;
- **Timesheets:** Verifying all timesheets for employees are approved by the immediate supervisor or Township Trustee where applicable. For example, we noted the Township Road Superintendent timesheet was not approved by an immediate supervisor on a routine basis;
- **Sick and Vacation Leave:** Leave balances should be reviewed monthly to determine accruals and leave taken is correct. This will help prevent overages/shortages and determine the correct severance payments upon retirement;
- **Federal and State Tax Reporting:** Procedures should be developed to ensure timely and accurate federal and state tax reporting which would include, but is not limited to the proper completion of Federal 941 Quarterly Returns and monthly State tax payments. During the period under audit, we noted communications from the Internal Revenue Service pertaining to improper reporting of federal wages which resulted in an underpayment of federal taxes of \$16,466.58. This may lead to future penalties and interest for the improper reporting of wages and federal taxes/Medicare;

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

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

Finding Number	2007-008 (Continued)
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Payroll Internal Control Cycle (Continued)

- **Retirement Reporting:** Procedures should be developed to verify that the proper retirement payments are made to the Ohio Public Employees Retirement System (OPERS) throughout the year. We noted correspondence between the Township and OPERS pertaining to improper reporting based on reporting incorrect wages or incomplete submissions. The Township should retain documentation to support all applicable payments to the retirement system.

By reviewing the Township’s current payroll procedures, this may help to determine proper accounting of payroll transactions and proper federal, state, and retirement reporting is complete and accurate.

Official’s Response: The Fiscal Officer and Trustees will determine payroll is complete and accurate.

Finding Number	2007-009
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Revenue and Expenditure Posting

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. This includes posting Township revenues and expenditures to the proper fund and account codes.

We noted the following receipts and disbursements recorded by the Township which were incorrectly posted in 2007:

- The Bureau of Workers Compensation payment of \$6,311 was incorrectly posted to the General Fund instead of the General and Road and Bridge Funds, consistent with Township funds which incur payroll expenditures. An audit adjustment was posted to record \$2,838 and \$3,473 within the General and Road and Bridge Funds, respectively, proportionately to the each funds respective payroll obligations;
- The Township incorrectly posted local government monies totaling \$4,846 to the Township Special Revenue Motor Vehicle License Tax Fund instead of the General Fund, contrary to the settlement sheets provided by the County Auditor;
- Time Warner Franchise Fees totaling \$19,009 were incorrectly recorded as miscellaneous revenue rather than Fees, Licenses and Permits within the General Fund;
- An audit adjustment of \$6,696 was recorded within the Township Special Revenue Gas Tax Fund in order to properly report gasoline excise taxes in the proper accounting period. The monies were direct deposited into the Township bank account on January 3, 2008 but recorded in the Township’s ledger in December 2007;

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2007-009 (Continued)
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Revenue and Expenditure Posting (Continued)

- An audit adjustment was recorded to eliminate a reconciling item of \$8,314 in which the Township could not provide supporting documentation. This adjustment was recorded as a positive adjustment to interest revenue in the General Fund.

We noted the following receipts and disbursements recorded by the Township which were incorrectly posted in 2006:

- A federal grant received from the Ohio Department of Transportation of \$130,000 was incorrectly recorded as other revenue instead of intergovernmental revenue;
- The Township posted a rollback and homestead receipt of \$51,871 to the General and Road and Bridge Funds although the check was voided by the State of Ohio for the untimely deposit by the Township. An audit adjustment was necessary to decrease the General and Road and Bridge Funds by \$9,255 and \$42,616, respectively;
- Time Warner Franchise Fees totaling \$18,680 were incorrectly recorded as miscellaneous revenue rather than fees, licenses and permits within the General Fund;
- The Township's underpayment for payroll taxes totaling \$16,466 was not recorded by the Township within its accounting ledgers. An adjustment was recorded within the General and Road and Bridge Funds of \$8,900 and \$7,566, respectively, to account for this transaction.

We recommend the Fiscal Officer review the Ohio Township Manual, Ohio Administrative Code, and the Ohio Township Association manual for proper receipt and disbursement classifications to help ensure those receipts and disbursements are posted to correct line items.

Official's Response: The Township Fiscal Officer were develop procedures to determine amounts are properly recorded and presented within the accounting system.

**HARRISON TOWNSHIP
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Recording and depositing of rollback and homestead receipts.	No	Repeated within Finding Number 2007-004.
2005-002	Ohio Revised Code Section 5705.39 states appropriations should not exceed estimated resources.	No	Repeated as Finding Number 2007-001.
2005-003	Ohio Revised Code Section 5705.41(D) requires expenditures to be properly certified prior to expenditure.	No	Repeated as Finding Number 2007-005.



Mary Taylor, CPA
Auditor of State

HARRISON TOWNSHIP

LICKING 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
MARCH 10, 2009**