



Dave Yost · Auditor of State

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Harrison Township
Muskingum County
650 Butterbean Ridge Road
Philo, Ohio 43771

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the audit period covering January 1, 2011 to December 31, 2011, the Trustees' salaries and employer fringes were incorrectly allocated in 2011 to Gasoline Tax Fund, in the amount of \$17,695, Road & Bridge Fund, in the amount of \$9,019 and the Road Levy Fund, all Special Revenue Fund types, in the amount of \$6,468 that should had been allocated to the General Fund, in the amount of \$33,182. Also during 2011, the Township posted debt payments incorrectly to Park Levy Fund, Special Revenue Fund type, in the amount of \$5,476 instead of to the Pool Debt Service Fund, in the amount of \$5,476. The Township declined to make these adjustments during the prior audit period and the Township has declined to make these adjustments this audit period. See Note 9 for the effect on each opinion unit.

During the audit period covering January 1, 2012 to December 31, 2012, the Trustees' salaries and employer fringes were incorrectly allocated in 2012 to Gasoline Tax Fund, in the amount of \$21,395, Road & Bridge Fund, in the amount of \$13,325, Motor Vehicle License Tax Fund, in the amount of \$1,539 and the Road District Fund, all Special Revenue Fund types, in the amount of \$2,777 that should had been allocated to the General Fund, in the amount of \$39,036. Also during 2012, the Township posted debt payments incorrectly to the Gasoline Tax Fund, Special Revenue type, in the amount of \$1,319, the Firefighting Equipment Debt Service Fund, in the amount of \$1,217 and to the Pool Debt Service Fund, in the amount of \$5,893 instead of to the Tractor Debt Service Fund, in the amount of \$8,429. Additionally, during 2012 revenues were incorrectly posted to the General Fund, in the amount of \$12,062, Special Revenue Fund types, the Motor Vehicle License Tax Fund and the Road & Bridge Fund, in the amounts of \$6,889 and \$5,977, respectively, and the Pool Debt Service Fund, in the amount of \$4,234 instead of to the Special Revenue Fund types, the Gasoline Tax Fund, in the amount of \$2,000, the Fire District Fund, in the amount of \$4,875, the Road District Fund, in the amount of \$2,294, the Park Levy Fund, in the amount of \$5,374, the Fire and Rescue Fund, in the amount of \$2,500 and the Firefighting Equipment Debt Service Fund, in the amount of \$7,885, and the Tractor Debt Service Fund, in the amount of \$4,234.. In addition, the Township's accounting system did not reconcile to the bank. See Note 9 for the effect on each opinion unit. A proof of cash was performed for 2012 and 2011 since the Township did not reconcile requiring the General Fund to be decreased by \$616 and Special Revenue Funds to be decreased by \$5,567. The Township declined to make these adjustments during the prior audit period and the Township has declined to make these adjustments this audit period. See Finding 2012-005 for the effect proof-of-cash has on each fund.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matters discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting*, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Harrison Township, Muskingum County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2014

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**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$25,641	\$187,080	\$55,799	\$268,520
Charges for Services		12,460		12,460
Intergovernmental	10,991	93,155		104,146
Earnings on Investments	4,248	415		4,663
Miscellaneous		23,294		23,294
<i>Total Cash Receipts</i>	<i>40,880</i>	<i>316,404</i>	<i>55,799</i>	<i>413,083</i>
Cash Disbursements				
Current:				
General Government	27,395			27,395
Public Safety		33,625		33,625
Public Works		146,736		146,736
Health	366	450		816
Conservation-Recreation		72,535		72,535
Capital Outlay	472	145,473		145,945
Debt Service:				
Principal Retirement			46,804	46,804
Interest and Fiscal Charges			6,698	6,698
<i>Total Cash Disbursements</i>	<i>28,233</i>	<i>398,819</i>	<i>53,502</i>	<i>480,554</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>12,647</i>	<i>(82,415)</i>	<i>2,297</i>	<i>(67,471)</i>
Other Financing Receipts (Disbursements)				
Loan Proceeds		120,000		120,000
<i>Total Other Financing Receipts (Disbursements)</i>	<i>0</i>	<i>120,000</i>	<i>0</i>	<i>120,000</i>
<i>Net Change in Fund Cash Balances</i>	<i>12,647</i>	<i>37,585</i>	<i>2,297</i>	<i>52,529</i>
<i>Fund Cash Balances, January 1</i>	<i>6,860</i>	<i>174,186</i>	<i>5,891</i>	<i>186,937</i>
Fund Cash Balances, December 31				
Restricted		156,290	8,188	164,478
Committed		55,481		55,481
Unassigned (Deficit)	19,507			19,507
<i>Fund Cash Balances, December 31</i>	<i>\$19,507</i>	<i>\$211,771</i>	<i>\$8,188</i>	<i>\$239,466</i>

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$15,612	\$165,177	\$47,893	\$228,682
Charges for Services		44,110		44,110
Intergovernmental	32,566	116,684		149,250
Earnings on Investments	6,299	1,101		7,400
Miscellaneous	1,112	873		1,985
<i>Total Cash Receipts</i>	<i>55,589</i>	<i>327,945</i>	<i>47,893</i>	<i>431,427</i>
Cash Disbursements				
Current:				
General Government	32,956			32,956
Public Safety		41,343		41,343
Public Works		351,314		351,314
Health	400			400
Conservation-Recreation		58,800		58,800
Capital Outlay		81,308		81,308
Debt Service:				
Principal Retirement			37,400	37,400
Interest and Fiscal Charges			5,015	5,015
<i>Total Cash Disbursements</i>	<i>33,356</i>	<i>532,765</i>	<i>42,415</i>	<i>608,536</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>22,233</i>	<i>(204,820)</i>	<i>5,478</i>	<i>(177,109)</i>
Other Financing Receipts (Disbursements)				
Loan Proceeds		36,590		36,590
Advances In		11,448		11,448
Advances Out	(11,448)			(11,448)
Other Financing Sources		150,000		150,000
Other Financing Uses	(389)			(389)
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(11,837)</i>	<i>198,038</i>	<i>0</i>	<i>186,201</i>
<i>Net Change in Fund Cash Balances</i>	<i>10,396</i>	<i>(6,782)</i>	<i>5,478</i>	<i>9,092</i>
<i>Fund Cash Balances, January 1</i>	<i>(3,536)</i>	<i>180,968</i>	<i>413</i>	<i>177,845</i>
Fund Cash Balances, December 31				
Restricted		129,376	5,891	135,267
Committed		44,810		44,810
Unassigned (Deficit)	6,860			6,860
<i>Fund Cash Balances, December 31</i>	<i>\$6,860</i>	<i>\$174,186</i>	<i>\$5,891</i>	<i>\$186,937</i>

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 the Harrison Township, Muskingum County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, recreation, cemetery maintenance and fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 8 to the financial statements provides additional information for this entity.

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

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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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:

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

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds.

Firefighting Equipment Debt Service Fund - This fund is used to accumulate resources for the payment of debt related to the purchase of firefighting equipment.

Dump Truck Debt Service Fund - This fund is used to accumulate resources for the payment of a dump truck.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2012 and 2011 budgetary activity appears in Note 4.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Fund Balance (Continued)

1. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

2. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

3. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

4. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

2. Change in Accounting Principle

For fiscal year 2011, the Township implemented Government Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

3. Equity in Pooled Deposits

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Equity in Pooled Deposits (Continued)

	2012	2011
Demand deposits	<u>\$239,466</u>	<u>\$186,937</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,424	\$40,880	\$4,456
Special Revenue	607,987	436,404	(171,583)
Debt Service	53,623	55,799	2,176
Total	<u>\$698,034</u>	<u>\$533,083</u>	<u>(\$164,951)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$36,424	\$28,233	\$8,191
Special Revenue	487,987	398,819	89,168
Debt Service	53,623	53,502	121
Total	<u>\$578,034</u>	<u>\$480,554</u>	<u>\$97,480</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$69,900	\$55,589	(\$14,311)
Special Revenue	703,286	514,535	(188,751)
Debt Service	47,949	47,893	(56)
Total	<u>\$821,135</u>	<u>\$618,017</u>	<u>(\$203,118)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,645	\$33,745	\$9,900
Special Revenue	469,623	532,765	(63,142)
Debt Service	47,949	42,415	5,534
Total	<u>\$561,217</u>	<u>\$608,925</u>	<u>(\$47,708)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge Fund by \$75,784 for the year ended December 31, 2011.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. 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.

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.

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan - Tractor	\$29,290	3.20%
Bank Loan - EMS Building	120,000	4.75%
General Obligation Notes - Dump Truck	<u>19,375</u>	4.20%
Total	<u><u>\$168,665</u></u>	

During 2008, the Township issued general obligation notes to finance the purchase of firefighting equipment. The Township's taxing authority collateralized the notes. The debt was retired in 2012. .

During 2009, the Township issued general obligation notes to finance the purchase of a new dump truck for Township road maintenance. The Township's taxing authority collateralized the notes. The debt is being retired from the Dump Truck Debt Service Fund.

During 2011, the Township obtained a loan to finance the purchase of a tractor for Township road maintenance. The Township's taxing authority collateralized the notes. The debt is being retired from the Tractor Debt Service Fund.

During 2012, the Township obtained a loan to finance the purchase of an Emergency Management Services (EMS) building for Township EMS services. The Township's taxing authority collateralized the notes. The debt will be retired from the EMS Debt Service Fund beginning 2013.

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

Year ending December 31:	Loan - Tractor	Loan - EMS Building	G.O. Notes - Dump Truck
2013	\$8,558	\$28,250	\$10,406
2014	8,234	27,600	10,003
2015	8,001	26,700	
2016	7,767	25,800	
2017		24,900	
2018-2022			
Total	<u><u>\$32,560</u></u>	<u><u>\$133,250</u></u>	<u><u>\$20,409</u></u>

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

In addition to the debt described above, the Township has defeased certain debt issues from prior years. Debt principal outstanding at December 31, 2011 was \$5,000. This disclosure does not include the related defeased debt or assets, since trusted assets should provide sufficient resources to retire the debt.

7. Retirement System

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 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416.188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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>	
<u>2012</u>	<u>2011</u>
\$11,753	\$10,625

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Financial Adjustments Not Made

At December 31, 2011, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2011 Balance	Adjustments Not Made	Effect on
			December 31, 2011 Balance
General	\$6,860	(\$33,182)	(\$26,322)
<u>Special Revenue</u>			
Gasoline Tax	44,865	17,695	62,560
Road & Bridge	44,810	9,019	53,829
Road District	9,780	6,468	16,248
Park Levy	21,118	5,476	26,594
<u>Debt Service</u>			
Pool	\$5,482	(\$5,476)	\$6

At December 31, 2012, the following funds had adjustments which the Township declined to make in the following amounts:

Fund	December 31, 2012 Balance	Adjustments Not Made	Effect on
			December 31, 2012 Balance
General	\$19,507	(\$51,098)	(\$31,591)
<u>Special Revenue</u>			
Motor Vehicle	\$17,591	(\$5,350)	\$12,241
Gasoline Tax	48,957	24,714	73,671
Road & Bridge	55,481	7,348	62,829
Fire District	47,035	4,875	51,910
Road District	24,896	5,071	29,967
Park Levy	17,434	5,374	22,808
Fire & Rescue	0	2,500	2,500
<u>Debt Service</u>			
Firefighter Equip	\$0	\$9,102	\$9,102
Tractor	4,286	(4,195)	91
Pool	3,904	1,659	5,563

The December 31, 2012 Balance and the Adjustments Not Made do not include the adjustments not made in 2011.



Dave Yost • Auditor of State

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

Harrison Township
Muskingum County
650 Butterbean Ridge Road
Philo, Ohio 43771

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 13, 2014, wherein we noted the Township has adopted Governmental Accounting Standards Board statement No. 54. We also noted the Township followed accounting financial reporting provisions of Ohio Rev. Code Section 117.38 and the Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We issued an adverse opinion on the 2012 and 2011 regulatory financial statements due to the Township declining to make adjustments for mispostings.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Council's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings 2012-001 through 2012-007, 2012-009 and 2012-010 described in the accompanying Schedule of Findings to be material weaknesses.

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

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, opining 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 2012-001 through 2012-004, 2012-008 and 2012-011.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

January 13, 2014

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Finding for Recovery/Noncompliance/Material Weakness

Ohio Rev. Code Section 507.09 provides in part that the compensation of the fiscal officer shall be paid in equal monthly payments. Additionally, this section provides a salary schedule, indicating the amount that a township fiscal officer is to be paid. If the office of township fiscal officer is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months during which the person holds the office.

During the period January 1, 2012 through December 31, 2012, the Township's monthly salary to be paid to the Fiscal Officer was \$1,178.91. Dolores Mahan, Fiscal Officer, resigned the position of fiscal officer effective February 29, 2012, due to health reasons. Ms. Mahon was paid the correct amount for January, \$1,178.91 on February 17, 2012. However, Ms. Mahon was paid \$1,710.59 on March 15, 2012 for the month of February. As a result, Dolores Mahon, received improper salary payment of \$531.68.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Dolores Mahon and her surety company, Travelers Casualty and Surety Company of America, Bond #105030123-0496, jointly and severally, in the amount of \$531.68, and in favor of Harrison Township's General Fund.

We recommend the Board of Trustees review salary check amounts before signing the checks.

FINDING NUMBER 2012-002

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code Section 505.24(C), as it existed during this time period, sets forth the method by which township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion No. 2004-036. This Section requires that compensation of a township trustee must be paid from the Township General Fund or from such other restricted township funds, in such proportions based on the amount of time spent on matters related to the services rendered. In addition, OAG Opinion 2004-036 indicates trustees should establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other township funds based on the portion of time spent on matters related to the services rendered. There is no one method for documenting time and the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service(s) performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from these other funds. The Auditor of State issued Bulletin 2011-007 on October 27, 2011 explaining these legislative changes and the impact of these changes on townships.

Subsequent to HB 153, passed in 2011, Ohio Rev. Code Sections 505.24 and 507.09 require township trustees and fiscal officers, respectively, to certify the amount of work performed on restricted funds.

Before and after the passage of HB 153, the Board of Trustees did not document their time on timesheets for either 2012 or 2011, but passed a motion in the minutes as to the allocation of Trustee salaries to funds by a certain percentage. The Township Trustees did not prepare any payroll certifications during all of 2012. In addition, the Fiscal Officer allocated a portion of his salary to the Gasoline Tax fund without adequate support such as a timesheet or payroll certification sheet.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-002 (Continued)

**Finding for Adjustment/Noncompliance/Material Weakness – Ohio Rev. Code Section 505.24(C)
(Continued)**

Also, the Township should record all employees' fringe benefits to the funds or budgets from which the officers or employees are compensated for services each year. Since the Trustees were improperly paid out of other funds other than the General Fund, all fringe benefits should have been charged to the General Fund as well.

A finding for adjustment is hereby issued against the General Fund, in the amount of \$33,182 in 2011, and in favor of the Gasoline Tax Fund, Road and Bridge Fund, and Road District Fund, Special Revenue Fund types, in the amount of \$17,695, \$9,019, and \$6,468 in 2011 respectively.

A finding for adjustment is hereby issued against the General Fund, in the amount of \$39,036 in 2012, and in favor of the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, and Road District Fund, Special Revenue Fund types, in the amount of \$1,539, \$21,395, \$13,325, and \$2,777 in 2012.

These adjustments have not been posted to the accounting system or the financial statements.

We recommend the Township review Auditor of State Bulletin 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Fiscal Officer and the Board of Trustees on various duties. Once these administrative procedures are established, Trustee salaries and related benefits should be charged to the applicable funds in accordance with the timesheets or other similar method of record keeping. Beginning in September 2011, this would include signing a certification of the allocation of payroll. Beginning in 2013, the Township implemented the use of payroll certification sheets.

FINDING NUMBER 2012-003

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.10(D) provides, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

During 2012, the Township posted a rollback and homestead reimbursement entirely to the General Fund. Also, the Township posted the subsequent 2012 rollback and homestead reimbursement entirely to the Road & Bridge Fund, Special Revenue Fund type. These rollback and homestead monies should have been properly allocated to the funds listed on the county auditor settlement sheet.

A finding for adjustment is hereby issued against the General Fund, in the amount of \$9,576 and the Road & Bridge Fund, Special Revenue Fund type, in the amount of \$5,977 and in favor of the Road District Fund, Special Revenue Fund type, in the amount of \$2,294, the Park Levy Fund, Special Revenue Fund type, in the amount of \$5,374 and the Firefighting Equipment Debt Service Fund, in the amount of \$7,885. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Fiscal Officer post homestead and rollback tax and personal property tax reimbursements in accordance with the semi-annual apportionment of taxes forms received from the County Auditor.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-004

Finding for Adjustment/Noncompliance Citation/Material Weakness

Ohio Const. Art. XII Section 5a requires that interest earned on money derived from a motor vehicle license or fuel tax (including local motor vehicle license tax) must be paid into the fund to which the principal belongs. All other interest earned should be credited to the general fund.

During 2012, the Township improperly posted interest to the General Fund instead of properly allocating interest revenue to the Motor Vehicle License Tax Fund and Gasoline Tax Fund, Special Revenue Fund types.

A finding for adjustment is hereby issued against the General Fund, in the amount of \$2,486 in 2012, and in favor of the Motor Vehicle License Tax Fund and Gasoline Tax Fund, Special Revenue Fund types, in the amount of \$486 and \$2,000 in 2012, respectively. The Fiscal Officer has not posted this adjustment to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Township establish policies and procedures to ensure interest is properly posted to the correct fund.

FINDING NUMBER 2012-005

Finding for Adjustment/Material Weakness

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Monthly bank reconciliations contained adjusting factors throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit. The extensive problems with these reconciliations resulted in the need for the Township to contract with the Auditor of State to perform a proof-of-cash analysis for each month of the audit period.

During the proof-of-cash analysis for 2012 and 2011, we were able to identify posting errors, such as receipts and expenditures posted at incorrect amounts, receipts/expenditures posted at amounts that differed from deposit ticket, receipts/expenditures deposited/cleared bank but not posted to accounting system, and twenty five outstanding checks listed on the UAN outstanding checklist at December 31, 2012 that were not valid.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-005 (Continued)

Finding for Adjustment/Material Weakness (Continued)

The table reflects adjustments required each year to allow the Township's accounting system to reconcile to the bank.

Fund	2011 Adjustments	2012 Adjustments	Total
General	(\$884.58)	\$268.31	(\$616.27)
<u>Special Revenue</u>			
MVL		189.34	189.34
Gas Tax	68.93	1,152.44	1,221.37
Road & Bridge		995.40	995.40
Cemetery		542.82	542.82
Fire District		(570.00)	(570.00)
Park Levy	(2,608.65)	(121.68)	(2,730.33)
Fire & Rescue		(5,215.53)	(5,215.53)
Total SR	(\$2,539.72)	(\$3,027.21)	(\$5,566.93)

We recommend the Township, as part of the monthly cash reconciliation process, investigate the unidentified reconciling items timely and make the necessary adjustments to the books. Also, the monthly bank reconciliation should be approved by a Board Member at each monthly meeting.

FINDING NUMBER 2012-006

Finding for Adjustment/Material Weakness

All local public offices shall 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.

The Ohio Township Handbook (revised April 2013) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not have control procedures in place to ensure the accuracy of the Fiscal Officer's receipt and expenditure line item account postings. Throughout the audit period, numerous receipts and expenditures were not always posted to accurate receipt classifications based upon the source of the receipt and the nature of the expenditure.

During 2011, the Fiscal Officer posted a debt payment to the Park Levy Fund, Special Revenue Fund type instead of to the Pool Debt Service Fund, where County Auditor settlement money had been posted for the debt payment.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-006 (Continued)

Finding for Adjustment/Material Weakness (Continued)

During 2012, the Fiscal Officer posted debt payments to the incorrect funds on multiple occasions. Also, an EMS grant was posted to the wrong fund. In addition, fire contract revenue was posted to the incorrect fund.

A finding for adjustment is hereby issued against the Park Levy Fund, Special Revenue Fund type, in the amount of \$5,476 in 2011, and in favor of the Pool Debt Service Fund, in the amount of \$5,476.

A finding for adjustment is hereby issued against the Motor Vehicle License Tax Fund, Special Revenue Fund, in the amount of \$7,375, the Tractor Debt Service Fund, in the amount of \$4,195, in 2012, and in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,319, the Fire District Fund, Special Revenue Fund type, in the amount of \$4,875, the Firefighting Equipment Debt Service Fund, in the amount of \$1,217, the Pool Debt Service Fund, in the amount of \$1,659 and the Fire and Rescue Fund, Special Revenue Fund type, in the amount of \$2,500.

The Fiscal Officer has not posted these adjustments to the Township records and, therefore, this adjustment is not reflected in the accompanying financial statements.

We recommend the Fiscal Officer refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the Township's year-end financial statements reflect the appropriate sources of the Township's receipts and expenditures.

FINDING NUMBER 2012-007

Material Weakness

The Auditor of State provided, through Auditor of State Audit Bulletins 2000-008 and 2002-004, the recommended accounting treatment for on-behalf-of grants or loans. For payments made to a contractor or vendor directly, the financial institution or grantor will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the appropriate fund equal to the amount disbursed by the financial institution or grantor on their behalf.

The Township purchased an Emergency Medical Service (EMS) building in 2012 through a money order directly issued by Citizens National Bank on their behalf in the amount of \$120,000. The Township did not record the loan proceeds receipts or capital outlay disbursements for the building on their accounting records in 2012.

The Township purchased a tractor in 2011 through a money order directly issued by Citizens National Bank to Southeastern Equipment Company on their behalf in the amount of \$36,500. The Township did not record the loan proceeds receipts or capital outlay disbursements for the tractor on their accounting records in 2011. These adjustments have been agreed to by Township management and have been posted to the Township's records and are reflected in the accompanying financial statements.

We recommend the Township refer to Auditor of State Bulletins 2000-008 and 2002-004 and follow the recommended accounting treatment for all monies expended on-behalf-of the Township.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-008

Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Further, contracts and orders for expenditures lacking prior certification should be null and void.

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 receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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 exceeding 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 current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The certification of available funds was not obtained for 24% of transactions tested in 2012 and 30% of transactions tested in 2011 and there was no evidence of a "Then and Now" certificate being used by the Fiscal Officer. Failure to properly certify the availability of funds can result in overspending and negative cash balances. In addition, one super blanket (3%) in 2012 did not meet the criteria as a super blanket as described above for the Ohio Revised Code.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-008 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(D)(1)(Continued)

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 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.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. Also, the Board of Trustees should pass a resolution adopting an amount for blanket purchase orders.

FINDING NUMBER 2012-009

Material Weakness

During our review of the Township's disbursement system, we noted the following conditions:

- Voucher packages did not consistently include invoices as supporting documentation to support the payment being made.
- Checks cleared the bank which had different check numbers on the checks than what was recorded in the UAN accounting system.
- Check numbers that were voided in the UAN system, cleared the bank.
- OPERS payments were made by EFT and cleared the bank at amounts different than the payroll voucher.
- OPERS payments were made electronically through the bank but never recorded on the Township's accounting system until months later, as long as ten months.
- Bank deposits were recorded at different amounts.
- Receipts were double booked.

These conditions did not allow for proper documentation of certain disbursements and resulted in the Township not being able to properly reconcile their accounting system to the bank.

We recommend the Township consider implementing the following procedures to strengthen the internal controls over the proper disbursement of public funds:

- Voucher packages should contain evidence to support the expenditure, such as an invoice.
- Check numbers in the UAN accounting system should match the physical check.
- Fiscal Officer should mutilate the signature block on voided checks.
- Procedure should be implemented to verify amount posted to system to invoice amount.
- Checks be prepared and issued in a timely manner.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-010

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure that all transactions are properly authorized in accordance with management's policies as well as ensure the collection and compilation of the data needed for the timely preparation of financial statements.

At December 31, 2011, we found appropriations as approved by the Board of Trustees did not agree to the Township's budgetary accounts for the following funds:

Fund	Appropriations Per Board of Trustees	Amounts Per Township Records	Variance
General	\$ 43,645	\$ 90,732	\$ (47,087)
Gas Tax	144,432	149,432	(5,000)
Road & Bridge	137,721	324,252	(186,531)
Fire District	72,644	151,439	(78,795)
Road District	46,240	72,906	(26,666)
Park Levy	52,197	95,743	(43,546)
Firefighting Debt	30,302	31,199	(897)

Inaccurate budgetary information posted to the accounting system could result in management of the Township not being able to effectively monitor and report its budget vs. actual status throughout the year. Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor.

We recommend the Fiscal Officer take due care in posting estimated resources and only post approved appropriations to the accounting system. We further recommend the Board of Trustees approve all supplemental appropriations in the minutes and the Fiscal Officer post them only after approval by the Board.

FINDING NUMBER 2012-011

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2011, the Road and Bridge Fund expenditures of \$213,506 exceeded appropriations of \$137,721 by \$75,784.

We recommend the Board of Trustees and Fiscal Officer compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Officials' Response: The Township Officials declined to respond to the findings noted herein.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Finding for Recovery - Ohio Rev. Code Section 505.601 – Reimbursement of officers and employees for health care premiums.	Yes	Finding No Longer Valid.
2010-002	Material Weakness – The Fiscal officer did not always accurately post to the accounting system the budgeted receipts and appropriations and any amendments.	No	Not Corrected. Reissued as Finding 2012-010.
2010-003	Ohio Rev. Code Section 505.24 and Material Weakness – Compensation of Trustees.	No	Not corrected. Reissued as Finding 2012-002.
2010-004	Ohio Rev. Code Section 5705.40 – Amending or supplementing appropriation resolution.	Yes	Partially Corrected.
2010-005	Ohio Rev. Code Section 5549.21 – Purchase of machinery, materials, and supplies.	Yes	Finding No Longer Valid.
2010-006	Ohio Rev. Code Section 5705.10(D) – Use of revenues.	No	Not Corrected. Reissued as Finding 2012-003.
2010-007	Ohio Rev. Code Section 5705.41(D) – Restriction upon appropriation and expenditure of money-certificate of fiscal officer.	No	Not Corrected. Reissued as Finding 2012-008.
2010-008	Ohio Rev. Code Section 5705.10(H) – Use of revenues.	Yes	Finding No Longer Valid.
2010-009	Material Weakness – During 2010 and 2009, the Township did not always post receipts into accurate classifications based upon the source of the receipt.	No	Not Corrected. Reissued as Finding 2012-008.



Dave Yost • Auditor of State

HARRISON TOWNSHIP

MUSKINGUM 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JANUARY 30, 2014