



OHIO AUDITOR OF STATE  
**KEITH FABER**





**HARRISON TOWNSHIP  
PERRY COUNTY  
DECEMBER 31, 2017 AND 2016**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2017 .....	3
Notes to the Financial Statements – For the Year Ended December 31, 2017 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016 .....	13
Notes to the Financial Statements – For the Year Ended December 31, 2016 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings .....	25
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	33

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# OHIO AUDITOR OF STATE KEITH FABER



## INDEPENDENT AUDITOR'S REPORT

Harrison Township  
Perry County  
12823 Township Road, 1001 NE  
Crooksville, Ohio 43731-9724

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016.

### ***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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; 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 such 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 opinions.

***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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Perry County, Ohio, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2019, 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 Township's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 19, 2019

**HARRISON TOWNSHIP  
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$24,807	\$208,195	\$233,002
Licenses, Permits and Fees	78,091	0	78,091
Intergovernmental	27,354	121,599	148,953
Earnings on Investments	150	151	301
Miscellaneous	4,821	20,826	25,647
<i>Total Cash Receipts</i>	<u>135,223</u>	<u>350,771</u>	<u>485,994</u>
<b>Cash Disbursements</b>			
Current:			
General Government	284,533	171,798	456,331
Public Safety	0	3,236	3,236
Public Works	0	168,375	168,375
Health	24,441	3,548	27,989
Other	0	58,940	58,940
<i>Total Cash Disbursements</i>	<u>308,974</u>	<u>405,897</u>	<u>714,871</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(173,751)</u>	<u>(55,126)</u>	<u>(228,877)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	2,768	4	2,772
<i>Total Other Financing Receipts</i>	<u>2,768</u>	<u>4</u>	<u>2,772</u>
<i>Net Change in Fund Cash Balances</i>	<u>(170,983)</u>	<u>(55,122)</u>	<u>(226,105)</u>
<i>Fund Cash Balances, January 1</i>	<u>166,391</u>	<u>275,035</u>	<u>441,426</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	215,877	215,877
Committed	0	4,036	4,036
Assigned	1,144	0	1,144
Unassigned	(5,736)	0	(5,736)
<i>Fund Cash Balances, December 31</i>	<u>(\$4,592)</u>	<u>\$219,913</u>	<u>\$215,321</u>

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

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HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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, Perry 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Crooksville and the Village of Roseville to provide fire services and emergency medical services.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 7 & 8 to the financial statements provide additional information for this entity.

These organizations are:

Public Entity Risk:

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

Jointly Governed Organizations:

Harrison Township Union Cemetery

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 permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid 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).

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting Basis (Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments 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.

D. Fund Accounting

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

i. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

ii. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Fire Fund – This fund receives levied property tax monies for fire protection services.

E. Budgetary Process

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

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

i. 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. Unencumbered appropriations lapse at year end.

ii. Estimated Resources

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

iii. Encumbrances

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

A summary of 201 budgetary activity appears in Note 3.

F. 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.

2. 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 government; or is imposed by law through constitutional provisions.

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

3. Committed

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

4. 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.

5. 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.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

Demand Deposits                      \$215,321

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$181,090	\$137,991	(\$43,099)
Special Revenue	300,766	350,775	50,009
Total	\$481,856	\$488,766	\$6,910

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$308,974	(\$308,974)
Special Revenue	0	405,897	(405,897)
Total	\$0	\$714,871	(\$714,871)

Contrary to Ohio Rev. Code §§ 5705.38(A), 5705.40 and 5705.41(B), the Township failed to correctly adopt appropriations resulting in expenditures in excess of appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjust 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. The second half payment is due the following June 20.

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

4. PROPERTY TAX (Continued)

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 SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2017 OPERS members contributed 10% of their wages, respectively. The Township contributed an amount equal to 14% of participant's gross salaries for 2017, respectively. The Township has paid all contributions required through December 31, 2017.

6. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017.

7. 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 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

7. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017 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.

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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	<u>8,765,465</u>
Net Position	<u>\$31,335,267</u>

At December 31, 2017, the liabilities above include approximately \$8 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$2,546.

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. Contributions to OTARMA in 2017 was \$5,786.

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  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2017

8. HARRISON TOWNSHIP UNION CEMETERY

The Township is affiliated with the Harrison Township Union Cemetery. The Board of Trustees of the Union Cemetery is appointed by the Village of Crooksville and Harrison Township. Taxes levied by the Harrison Township for cemetery maintenance are collected by Perry County, and distributed to the Township, which then distributes the proceeds to the Union Cemetery. The Union Cemetery is a legally separate entity that prepares and files its own financial statements. The financial activity of the Union Cemetery is not included in the accompanying financial statements. Independent audits of the Union Cemetery are performed by the Auditor of State.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



**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, 2016**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$24,105	\$198,847	\$222,952
Licenses, Permits and Fees	125,971	0	125,971
Intergovernmental	26,615	123,978	150,593
Earnings on Investments	132	52	184
Miscellaneous	4,200	11,750	15,950
<i>Total Cash Receipts</i>	<u>181,023</u>	<u>334,627</u>	<u>515,650</u>
<b>Cash Disbursements</b>			
Current:			
General Government	128,756	153,750	282,506
Public Safety	0	3,784	3,784
Public Works	0	83,147	83,147
Health	4,745	20,501	25,246
Conservation-Recreation	7,937	0	7,937
<i>Total Cash Disbursements</i>	<u>141,438</u>	<u>261,182</u>	<u>402,620</u>
<i>Excess of Receipts Over Disbursements</i>	<u>39,585</u>	<u>73,445</u>	<u>113,030</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	3,573	0	3,573
<i>Total Other Financing Receipts</i>	<u>3,573</u>	<u>0</u>	<u>3,573</u>
<i>Net Change in Fund Cash Balances</i>	43,158	73,445	116,603
<i>Fund Cash Balances, January 1 (Restated - See Note 10)</i>	<u>123,233</u>	<u>201,590</u>	<u>324,823</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	283,666	283,666
Assigned	10,410	0	10,410
Unassigned	155,981	(8,631)	147,350
<i>Fund Cash Balances, December 31</i>	<u>\$166,391</u>	<u>\$275,035</u>	<u>\$441,426</u>

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

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HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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, Perry 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Crooksville and the Village of Roseville to provide fire services and emergency medical services.

The Township participates in one jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 7 & 8 to the financial statements provide additional information for this entity.

These organizations are.

Public Entity Risk:

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

Jointly Governed Organizations:

Harrison Township Union Cemetery

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 permitted by the financial reporting provisions of Ohio Revised Code 117.38 and Ohio Administrative Code 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid 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).

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code 117.38 and Ohio Administrative Code 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments 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.

D. Fund Accounting

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

i. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

ii. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Fire Fund – This fund receives levied property tax monies for fire protection services.

E. Budgetary Process:

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

i. 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.

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Unencumbered appropriations lapse at year end.

ii. Estimated Resources

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

iii. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into four 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.

2. 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 government; or is imposed by law through constitutional provisions.

3. Committed

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

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

4. 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.

5. 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.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

Demand Deposits	\$441,426
-----------------	-----------

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$249,010	\$184,596	(\$64,414)
Special Revenue	325,720	334,627	8,907
Total	\$574,730	\$519,223	(\$55,507)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$141,438	(\$141,438)
Special Revenue	0	261,182	(261,182)
Total	\$0	\$402,620	(\$402,620)

Contrary to Ohio Rev. Code §§ 5705.38(A), 5705.40 and 5705.41(B), the Township failed to correctly adopt appropriations resulting in expenditures in excess of appropriations.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjust 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. 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.

HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

5. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2016 OPERS members contributed 10% of their wages, respectively. The Township contributed an amount equal to 14% of participant's gross salaries for 2016, respectively. The Township has paid all contributions required through December 31, 2016.

6. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2 percent during calendar year 2016.

7. 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 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016 OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.



HARRISON TOWNSHIP  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

7. RISK MANAGEMENT (Continued)

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.

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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	<u>8,244,410</u>
Net Position	<u>\$30,229,143</u>

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2015 and 2014, respectively.

These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$2,289.

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.

Contributions to OTARMA in 2016 was \$5,087.

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  
PERRY COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

8. HARRISON TOWNSHIP UNION CEMETERY

The Township is affiliated with the Harrison Township Union Cemetery. The Board of Trustees of the Union Cemetery is appointed by the Village of Crooksville and Harrison Township. Taxes levied by the Harrison Township for cemetery maintenance are collected by Perry County, and distributed to the Township, which then distributes the proceeds to the Union Cemetery. The Union Cemetery is a legally separate entity that prepares and files its own financial statements. The financial activity of the Union Cemetery is not included in the accompanying financial statements. Independent audits of the Union Cemetery are performed by the Auditor of State.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. RESTATEMENT

The Township determined certain checks issued prior to 2016 which had not been redeemed to not be valid outstanding checks of the Township. The correction of fund balances during 2016 resulted in an increase in the General Fund cash balance by \$1,054 and increasing the Motor Vehicle License Fund, Gasoline Tax Fund, Road and Bridge Fund and the Cemetery Fund cash balances in the amounts of \$28, \$1,676, \$1,704 and \$1,089, respectively. As a result, the January 1, 2016 balances were restated as follows:

Fund Type	12/31/2015 Balance	Amount	Restated 1/1/2016 Balance
General Fund	\$121,959	\$1,274	\$123,233
Special Revenue Funds	197,093	4,497	201,590
	\$319,052	\$5,771	\$324,823

# OHIO AUDITOR OF STATE KEITH FABER



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

Harrison Township  
Perry County  
12823 Township Road, 1001 NE  
Crooksville, Ohio 43731-9724

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 the cash balances, receipts, and disbursements by fund type of Harrison Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated March 19, 2019 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

*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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2017-002 through 2017-007 to be material weaknesses.

***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 2017-001 through 2017-003.

***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 Township'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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

March 19, 2019

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2017-001**

**Finding for Recovery**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Furthermore, Ohio Rev. Code § 5747.06 states that, except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee’s compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee. The employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to the benefit of, the employee. The method of determining the amount to be withheld shall be prescribed by rule of the tax commissioner.

In addition, Ohio Rev. Code § 145.47 requires each employer to withhold an amount, as determined by the public employees’ retirement board, not to exceed ten percent from each employee’s earnable salary that is a contributor to the retirement system. Ohio Rev. Code § 145.48 states, in part, each employer shall pay to the public employees retirement system an amount that shall have a certain percent of the earnable salary of all contributors to be known as the “employer contribution.”

During the previous audit we noted a significant number of checks payable to the Treasurer of State of Ohio, for state taxes, dating from 2004 through 2015 which had not been mailed or remitted by the Township. We noted the Township failed to make any payments during 2016. During 2017, according to supporting tax reports provided by the Township, the Township owed \$33,207 for these previous periods; however, the Township paid \$39,823 for a difference of \$6,616. Furthermore, during 2017, for the withholding periods including 2016 through the first two quarters of 2017, we noted the Township owed \$4,279; however, the Township paid \$4,334 for a difference of \$55. We noted no payments made for state taxes withheld of \$1,451 related to the last two quarters of 2017. Therefore, the Township paid \$6,671 for state taxes over the amounts noted on the supporting documentation provided as being owed. The Township provided no documentation to substantiate whether these amounts paid in excess of amounts withheld were for a proper public purpose or represented improper items such as penalties or late fees.

Also, during 2016, we noted the Township paid amounts totaling \$35 to the Ohio Public Employees Retirement System for which no documentation to substantiate whether these amounts were for a proper public purpose or represented improper items such as penalties or late fees.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Khristine Hanson, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, in the amount of \$6,706, and in favor of the Township’s General Fund.

On March 19, 2019, the Township entered into a settlement agreement and payment plan for Finding Numbers 2017-001 and 2017-002 with Khristine Hanson, Fiscal Officer. Ms. Hanson will make eight monthly payments, beginning April 1, 2019, in the amount of \$1,280 and one monthly payment in the amount of \$1,282 on December 1, 2019.

HARRISON TOWNSHIP  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-002

**Finding for Recovery and Material Weakness**

*State ex rel. McClure v. Hagerman*, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

During 2017, the Township utilized a debit card for purchases totaling \$2,748; however, documentation supporting these payments totaled only \$691. Furthermore, during 2016, the Township utilized a debit card for purchases totaling \$2,759; however, no supporting documentation was provided for these payments. Total unsupported debit card payments made by the Township during the period were \$4,816. In the absence of supporting documentation, it could not be determined whether any of these transactions were actually made for proper public purposes relating to Township business.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Khristine Hanson, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, in the total amount of \$4,816, and in favor of the Township’s General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund, in the amounts of \$1,594, \$896, \$1,625 and \$701, respectively.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditures is strictly liable. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex. rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985).

Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Trustees Alan White, Jerald Watts and Timothy Danielson approved certain debt card payments totaling \$3,529. Accordingly, Alan White, Jerald Watts and Timothy Danielson, and their bonding company, Ohio Township Risk Management Authority, will be jointly and severally liable in the total amount of \$3,529, and in favor of the Township’s General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund, in the amounts of \$1,100, \$896, \$832 and \$701, respectively.

On March 19, 2019, the Township entered into a settlement agreement and payment plan for Finding Numbers 2017-001 and 2017-002 with Khristine Hanson, Fiscal Officer. Ms. Hanson will make eight monthly payments, beginning April 1, 2019, in the amount of \$1,280 and one monthly payment in the amount of \$1,282 on December 1, 2019.

Supporting documentation should be maintained by the Fiscal Officer for each disbursement including a voucher with the original invoice attached, and any other supporting documentation applicable to the disbursement. Disbursements should not be approved by the Township Trustees unless adequate documentation is available.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-003**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

According to the minutes, the Township adopted a temporary appropriation measure on January 3, 2017, for 2017 and on January 12, 2016, for 2016. The minutes further stated that the township approved permanent appropriations on March 21, 2017; however, no appropriation resolutions were provided for audit for either year nor were they filed with the County Budget Commission. No evidence was noted of permanent appropriations being adopted for 2016. This resulted in all expenditures exceeding legally adopted appropriations for each year.

Furthermore, we noted supplemental amendments to appropriations in 2017 and 2016 in amounts ranging from \$200 to \$10,000 and \$50 to \$20,000, respectively, which were all posted to the accounting system without written approval of the Board of Trustees.

The failure to properly approve Township appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Board.

The Board of Trustees should approve all appropriations measures, supplemental appropriations, and amendments and such approvals should be documented in the minutes. In addition, the Township should only make expenditures for which there are adequate appropriations available to do so. Periodically, the Board should review budget versus actual information in order to monitor the spending of the Township. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2017-004**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending; it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available; it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

HARRISON TOWNSHIP  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-004 (Continued)

**Material Weakness (Continued)**

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. As discussed in Finding Number 2017-003, the Township could not provide appropriation resolutions for fiscal years 2017 and 2016 and therefore we could not determine whether appropriations were properly posted to the accounting system. Furthermore, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system. We noted a variance between estimated receipts from the Final Amended Certificate of Estimated Resources and budgeted receipts posted to the accounting system for all funds in the Township as follows:

- In 2017, variances between estimated receipts over/(under) budgeted receipts posted to the accounting system consisted of \$45,860, \$5,606, \$8,188, \$7,100, \$8,250, \$17,510, \$7,720, \$8,955 and \$59,000 in the General, Motor Vehicle License, Gasoline Tax, Road & Bridge, Cemetery, Fire, EMS, Joint Cemetery and Miscellaneous Special Revenue Funds, respectively.
- For 2016, variances between estimated receipts over/(under) budgeted receipts posted to the accounting system consisted of \$19,660, (\$50), \$1,150, \$6,000, \$4,000, (\$9,880), (\$6,200), (\$28,400) and (\$59,000) in the General, Motor Vehicle License, Gasoline Tax, Road & Bridge, Cemetery, Fire, EMS, Joint Cemetery and Miscellaneous Special Revenue Funds, respectively.

Failure to accurately post the appropriations and estimated receipts to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2017-005

**Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board is responsible for reviewing the reconciliations and related support.



**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-005 (Continued)**

**Material Weakness (Continued)**

Our testing of the Township’s monthly bank reconciliations noted unexplained variances between the Township’s bank balances and the Township’s accounting records for the period of January 1, 2016 through December 31, 2017. These unexplained variances, which ranged from (\$158,831) to \$122,363 during the audit period, were subsequently identified by management.

A large portion of these variances were due to receipts and expenditures not being recorded in the accounting system and a fund balance adjustment made by the Fiscal Officer for outstanding checks from the prior audit which were not included in the audited fund balances. These issues were not identified and resolved by the Fiscal Officer prior to the preparation of the Township’s financial statements and therefore resulted in the following adjustments, with which management has agreed, being made to the Township’s accounting records and the accompanying financial statements:

<b>Fund</b>	<b>Net change in Fund Cash Balances</b>
General	(\$92,316)
Motor Vehicle License Tax	(609)
Gasoline Tax	(42,397)
Road & Bridge	(2,992)
Cemetery	(6,579)
Fire	9,507
EMS	4,131
Joint Cemetery	8,887
Total	(\$122,368)

Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**FINDING NUMBER 2017-006**

**Material Weakness**

A well-designed system of internal control will include monitoring of financial reports and information by the governing board in order to compensate for any lack of segregation of duties. The small size of the Township's staff did not allow for an adequate segregation of duties. The Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling. It is therefore important for the Board of Township Trustees to monitor financial activity closely and to follow up on any audit findings.

HARRISON TOWNSHIP  
PERRY COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-006 (Continued)

**Material Weakness (Continued)**

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Township is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report. The small size of the Township's staff did not allow for an adequate segregation of duties as the Township Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Township monies.

We noted only one instance of the monthly bank reconciliations being presented to the Trustees for approval. Furthermore, as discussed in Finding Number 2017-005, we noted unexplained variances throughout the audit period on the Township's bank reconciliations which did not originally contain explanations. In addition, our review of the minutes noted instances in which financial reports were not documented as being reviewed and approved by the Board and instances where the minutes were not signed by the Fiscal Officer.

Failure to adequately monitor the activities of the Township by Township Trustees could result in errors or irregularities to occur and remain undetected.

The Township Trustees should become more actively involved in monitoring the financial activity of the Township. Trustees should assure that the Fiscal Officer performs a monthly bank reconciliation. Trustees should then review the validity of the computations and reconciling items and attest to the reconciliation's accuracy. In addition to bank reconciliations, the Trustees should also assure the Fiscal Officer maintains and presents to the Board monthly with following records: receipts ledger, appropriations ledger, cash journal, budget vs. actual reports for receipts and disbursements, payroll journal and check register. Supervisory reviews should be performed by Trustees and evidenced by the initials of each members performing the review and the date of the review was performed. The presentation of these records and reviews by Trustees should be noted in the Township's minutes.

The Trustees should make appropriate inquiries to help determine the continued integrity of financial information such as:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations occur, is the reason documented, and properly budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Township.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-007**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 and .A16.

In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 defined how fund balances were to be classified and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue has external legal constraints as Restricted. GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as Committed. GASB Cod. 1800.173-176 requires funds without external or internal constraints to report Assigned fund balances for amounts encumbered or set aside to cover the excess of subsequent year appropriations exceeding estimated revenue. GASB Cod. 1800.177 designates Unassigned fund balance as the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

During 2017 and 2016, the Township failed to properly classify fund balances in accordance with GASB Statement No. 54 requirements. This resulted in reclassifications being made to report the Village's fund balances in accordance with the aforementioned requirements. In addition, various other adjustments were made to the Village's financial statements for 2017 and 2016.

During 2017, the following adjustments were noted:

- Homestead and rollback receipts of \$3,004, \$4,136, \$5,286, \$3,227 and \$5,985 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the General, Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.
- Homestead and rollback receipts for 2015, reissued to the Township, of \$942, \$2,094, \$3,140, \$1,361 and \$2,931 were not posted by the Township in the General, Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.
- Motor vehicle license and gasoline tax receipts of \$735 and \$1,965, respectively, were not recorded in the accounting system.
- Expenditures through electronic fund transfers for the remittance of withholdings totaling \$96,239, \$1,373, \$44,553, \$11,042 and \$7,668 were not posted by the Township in the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge and Joint Cemetery Funds, respectively.
- Expenditures for debit card purchases of \$1,484 were not recorded in the Gasoline Tax Fund.

During 2016, the following adjustments were noted:

- Homestead and rollback receipts of \$1,497, \$2,055, \$2,651, \$1,606 and \$3,020 were incorrectly posted as Property and Other Local Taxes rather than Intergovernmental Receipts in the General, Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.
- Homestead and rollback receipts of \$1,927, \$4,252, \$6,367, \$2,770 and \$5,956 were not posted by the Township in the General, Road and Bridge, Fire, EMS and Joint Cemetery Funds, respectively.

**HARRISON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b></p>
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**FINDING NUMBER 2017-007 (Continued)**

**Material Weakness (Continued)**

Audit adjustments, with which management has agreed, have been recorded in the accompanying financial statements to properly reflect these amounts.

Incorrect financial statement account classifications and balances could result in inaccurate reporting of the Village's financial information.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers and financial statements in order to ensure the Township's year-end financial statements reflect the appropriate sources and uses of the Township's receipts and disbursements. In addition, timely monthly bank reconciliations should be performed by the Fiscal Officer to ensure all transactions are posted to the accounting system.

**Officials' Response:** We did not receive a response from Officials to the above findings.

**HARRISON TOWNSHIP  
PERRY COUNTY  
12823 Township Road, 1001 NE  
Crooksville, Ohio 43731-9724**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2017 and 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	26 USC Section 3102 (a) (1) –timely filing of federal taxes.	Partially corrected	
2015-002	ORC 145.47 – timely filing of OPERS.	Partially corrected	
2015-003	ORC-5747.06 Filing state tax.	Partially corrected	
2015-004	ORC-5705.38(A) expenditure exceeding legally adopted appropriations.	Partially corrected	
2015-005	Adequate segregation of duties.	Partially corrected	
2015-006	ORC-505.24(C) Trustee time sheets.	Partially corrected	Paying out of just general fund now.
2015-007	ORC-17-2-02 Discrepancies between work documented and hours paid on time sheets.	Partially corrected	
2015-008	ORC 149.43(B)(1) Supporting documentation for miscellaneous receipts.	Partially corrected	Getting receipts together.
2015-009	ORC 149.43(B)(1) Lack of sufficient supporting documentation.	Partially corrected	
2015-010	ORC 9.38 Deposits made on time.	Partially corrected	Making on time as soon as I can get to bank.
2015-011	ORC 117-2-01(D)(3) Balances of statements.	Partially corrected	Working on getting posting done for statements.
2015-012	ORC 117-2-02(A) Incorrectly posting in wrong funds.	Partially corrected	Have fixed what was posted to wrong fund.
2015-013	Estimated resources not agree to the township ledgers.	Not corrected	Will work on this one with auditor.

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OHIO AUDITOR OF STATE  
**KEITH FABER**



**HARRISON TOWNSHIP**

**PERRY 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  
APRIL 2, 2019**