

HARRISON TOWNSHIP
PICKAWAY COUNTY
REGULAR AUDIT
FOR YEARS ENDED DECEMBER 31, 2003 AND 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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**Auditor of State
Betty Montgomery**

Board of Trustees
Harrison Township, Pickaway County
290 East Main Street
Ashville, Ohio 43103

We have reviewed the Independent Auditor's Report of Harrison Township, Pickaway County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 16, 2004

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HARRISON TOWNSHIP - PICKAWAY COUNTY
YEARS ENDING DECEMBER 31, 2003 AND DECEMBER 31, 2002
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Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Harrison Township
Pickaway County
290 East Main Street
Ashville, OH 43103

We have audited the accompanying financial statements of Harrison Township, Pickaway County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted by the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Harrison Township, Pickaway County, Ohio as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of the audits.

This report is intended solely for the information and use of management and Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

June 30, 2004

HARRISON TOWNSHIP
PICKAWAY COUNTY

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$53,587	\$458,344	\$59,755	\$571,686
Intergovernmental	41,764	112,687	0	154,451
Charges for Services	0	223,403	0	223,403
Licenses, Permits, and Fees	4,813	13,025	0	17,838
Earnings on Investments	7,606	1,015	0	8,621
Miscellaneous	8,691	44,260	0	52,951
Total Cash Receipts	116,461	852,734	59,755	1,028,950
Cash Disbursements:				
Current:				
General Government	98,155	0	0	98,155
Public Safety	0	678,547	0	678,547
Public Works	350	126,905	0	127,255
Health	7,464	17,550	0	25,014
Capital Outlay	200	60,910	0	61,110
Debt Service:				
Redemption of Principal	0	0	57,500	57,500
Interest and Other Fiscal Charges	0	0	3,490	3,490
Total Cash Disbursements	106,169	883,912	60,990	1,051,071
Total Receipts Over/(Under) Disbursements	10,292	(31,178)	(1,235)	(22,121)
Other Financing Receipts (Disbursements):				
Transfers-In	0	0	1,235	1,235
Transfers-Out	0	(1,235)	0	(1,235)
Total Other Financing Receipts	0	(1,235)	1,235	0
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,292	(32,413)	0	(22,121)
Fund Cash Balances, January 1	239,528	462,860	0	702,388
Fund Cash Balances, December 31	\$249,820	\$430,447	\$0	\$680,267
Reserve for Encumbrances, December 31	\$182	\$5,829	\$0	\$6,011

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

HARRISON TOWNSHIP
PICKAWAY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$56,782	\$484,872	\$60,015	\$601,669
Intergovernmental	17,998	103,074	0	121,072
Charges for Services	0	258,418	0	258,418
Licenses, Permits, and Fees	3,972	17,575	0	21,547
Earnings on Investments	12,759	1,660	0	14,419
Miscellaneous	10,934	25,872	0	36,806
	102,445	891,471	60,015	1,053,931
Cash Disbursements:				
Current:				
General Government	96,200	0	0	96,200
Public Safety	0	613,427	0	613,427
Public Works	315	154,147	0	154,462
Health	8,135	9,220	0	17,355
Capital Outlay	500	139,151	0	139,651
Debt Service:				
Redemption of Principal	0	0	55,500	55,500
Interest and Other Fiscal Charges	0	0	4,515	4,515
Total Cash Disbursements	105,150	915,945	60,015	1,081,110
Total Receipts Over/(Under) Disbursements	(2,705)	(24,474)	0	(27,179)
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes	0	75,000	0	75,000
Total Other Financing Receipts	0	75,000	0	75,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(2,705)	50,526	0	47,821
Fund Cash Balances, January 1	242,233	412,334	0	654,567
Fund Cash Balances, December 31	\$239,528	\$462,860	\$0	\$702,388
Reserve for Encumbrances, December 31	\$180	\$12,699	\$0	\$12,879

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

HARRISON TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harrison Township, Pickaway County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road maintenance and repair, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. However, gains or losses at the time of sale are recorded 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 into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

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

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

Fire District Fund – This fund receives tax proceeds and charges for services receipts to fund the Township's fire department.

HARRISON TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Services Fund

The debt service fund is used to accumulate resources for the payment of note indebtedness issued for the purchase of a ladder fire truck and ambulance.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

HARRISON TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$405,965	\$428,086
Certificates of deposit	<u>274,302</u>	<u>274,302</u>
Total deposits	<u><u>\$680,267</u></u>	<u><u>\$702,388</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by pooled securities obtained by the financial institution for its public deposits.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

Fund Type	<u>2003 Budgeted vs. Actual Receipts</u>		
	Budgeted Receipts	Actual Receipts	Variance
General	\$91,190	\$116,461	\$25,271
Special Revenue	812,116	852,734	40,618
Capital Projects	64,078	60,990	(3,088)
Total	<u><u>\$967,384</u></u>	<u><u>\$1,030,185</u></u>	<u><u>\$62,801</u></u>

Fund Type	<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$326,681	\$106,351	\$220,330
Special Revenue	1,253,935	890,976	362,959
Capital Projects	62,843	60,990	1,853
Total	<u><u>\$1,643,459</u></u>	<u><u>\$1,058,317</u></u>	<u><u>\$585,142</u></u>

HARRISON TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

3. BUDGETARY ACTIVITY (Continued)

Fund Type	<u>2002 Budgeted vs. Actual Receipts</u>		Variance
	Budgeted Receipts	Actual Receipts	
General	\$96,619	\$102,445	\$5,826
Special Revenue	950,656	966,471	15,815
Capital Projects	60,021	60,015	(6)
Total	<u>\$1,107,296</u>	<u>\$1,128,931</u>	<u>\$21,635</u>

Fund Type	<u>2002 Budgeted vs. Actual Budgetary Basis Expenditures</u>		Variance
	Appropriation Authority	Budgetary Expenditures	
General	\$335,556	\$105,330	\$230,226
Special Revenue	1,356,596	928,644	427,952
Capital Projects	60,015	60,015	0
Total	<u>\$1,752,167</u>	<u>\$1,093,989</u>	<u>\$658,178</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

HARRISON TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ladder Truck Note	\$12,500	4.25%
Ambulance Note	50,000	2.47%
Totals	\$62,500	

The general obligation notes for the purchase of a Ladder Truck and ambulance were issued through the local bank. Debt payments are payable in annual and semi -annual installments, respectively. Debt is paid from the Township's debt service fund.

Amortization of the above debt, including interest payments of \$2,384, is scheduled as follows:

Year ending December 31:	Ladder Truck Note	Ambulance Note
2004	\$13,031	\$26,235
2005	0	25,618
Total	\$13,031	\$51,853

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Ohio Police and Firemen's Disability and Pension Funds (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement 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 2003 and 2002, members of OP&F contributed 10% of their wages. The Township contributed an amount equal to 24% of their wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

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 insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

HARRISON TOWNSHIP
PICKAWAY COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(CONTINUED)

7. RISK MANAGEMENT (Continued)

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$70,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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

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:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Harrison Township
Pickaway County
290 E. Main Street
Ashville, Ohio 43103

We have audited the accompanying financial statements of Harrison Township, Pickaway County, Ohio (the Township), as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated June 30, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees
Harrison Township
Pickaway County
Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit Performed in
Accordance with *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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Balestra, Harr & Scherer, CPAs, Inc.
June 30, 2004



**Auditor of State
Betty Montgomery**

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HARRISON TOWNSHIP

PICKAWAY 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
AUGUST 31, 2004**