



Mary Taylor, CPA  
Auditor of State



HARRISON TOWNSHIP  
MUSKINGUM COUNTY

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Mary Taylor, CPA  
Auditor of State

Harrison Township  
Muskingum County  
553 Front Street  
Philo, Ohio 43771

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

October 2, 2009

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township  
Muskingum County  
553 Front Street  
Philo, Ohio 43771

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison Township, Muskingum County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2009, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

October 2, 2009



**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$10,486	\$110,758	\$37,802	\$159,046
Charges for Services		4,130		4,130
Intergovernmental	22,628	127,954		150,582
Earnings on Investments	799	220		1,019
Miscellaneous	388	14,934		15,322
	<u>34,301</u>	<u>257,996</u>	<u>37,802</u>	<u>330,099</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	30,793			30,793
Public Safety		32,877		32,877
Public Works		173,419		173,419
Health	942			942
Conservation - Recreation		72,468		72,468
Capital Outlay		148,552		148,552
Debt Service:				
Redemption of Principal			33,425	33,425
Interest and Other Fiscal Charges			5,118	5,118
	<u>31,735</u>	<u>427,316</u>	<u>38,543</u>	<u>497,594</u>
Total Cash Disbursements	<u>31,735</u>	<u>427,316</u>	<u>38,543</u>	<u>497,594</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>2,566</u>	<u>(169,320)</u>	<u>(741)</u>	<u>(167,495)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Notes		159,000		159,000
Other Financing Uses	(15)			(15)
	<u>(15)</u>	<u>159,000</u>	<u>0</u>	<u>158,985</u>
Total Other Financing Receipts / (Disbursements)	<u>(15)</u>	<u>159,000</u>	<u>0</u>	<u>158,985</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	2,551	(10,320)	(741)	(8,510)
Fund Cash Balances, January 1	4,456	175,548	1,000	181,004
<b>Fund Cash Balances, December 31</b>	<b><u>\$7,007</u></b>	<b><u>\$165,228</u></b>	<b><u>\$259</u></b>	<b><u>\$172,494</u></b>

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

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$11,852	\$112,504	\$34,669	\$159,025
Charges for Services		11,136		11,136
Intergovernmental	18,336	132,159		150,495
Earnings on Investments	970	271		1,241
Miscellaneous	80	113		193
	<u>31,238</u>	<u>256,183</u>	<u>34,669</u>	<u>322,090</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	31,560			31,560
Public Safety		38,610		38,610
Public Works		148,201		148,201
Health	685			685
Conservation - Recreation		50,138		50,138
Capital Outlay		10,434		10,434
Debt Service:				
Redemption of Principal			31,425	31,425
Interest and Other Fiscal Charges			2,244	2,244
	<u>32,245</u>	<u>247,383</u>	<u>33,669</u>	<u>313,297</u>
<b>Total Cash Disbursements</b>				
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<u>(1,007)</u>	<u>8,800</u>	<u>1,000</u>	<u>8,793</u>
<b>Other Financing Receipts:</b>				
Other Financing Sources		845		845
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>(1,007)</u>	<u>9,645</u>	<u>1,000</u>	<u>9,638</u>
<b>Fund Cash Balances, January 1</b>	<u>5,463</u>	<u>165,903</u>	<u>0</u>	<u>171,366</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$4,456</b></u>	<u><b>\$175,548</b></u>	<u><b>\$1,000</b></u>	<u><b>\$181,004</b></u>

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

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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, Muskingum County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, recreation, fire protection and emergency medical services. The Township contracts with Harrison Township Medical Services Inc. to provide emergency medical services

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

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

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Park Levy Fund - This fund receives property tax money from a special levy, and a limited amount of user fees, in order to maintain and operate a swimming pool and recreation area.

**3. Debt Service Fund**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund is used to accumulate resources for the payment of debt related to the purchase of equipment.

**D. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**E. 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.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**2. Equity in Pooled Deposits**

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

	2008	2007
Demand deposits	\$172,494	\$181,004

**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 years ending December 31, 2008 and 2007, follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,429	\$34,301	\$5,872
Special Revenue	398,736	416,996	18,260
Debt Service	37,802	37,802	0
Total	\$464,967	\$489,099	\$24,132

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$32,885	\$31,750	\$1,135
Special Revenue	437,172	427,316	9,856
Debt Service	6,553	38,543	(31,990)
Total	\$476,610	\$497,609	(\$20,999)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,340	\$31,238	\$898
Special Revenue	255,336	257,028	1,692
Debt Service	33,669	34,669	1,000
Total	\$319,345	\$322,935	\$3,590

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$35,803	\$32,245	\$3,558
Special Revenue	404,855	247,383	157,472
Debt Service	33,669	33,669	0
Total	\$474,327	\$313,297	\$161,030

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the legal level of control within several funds at December 31, 2008 and 2007.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**4. Property Tax**

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

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. Debt**

Debt outstanding at December 31, 2008, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes - Tractor	\$11,250	5.50%
General Obligation Notes - Firefighting Equipment	111,200	4.50%
General Obligation Notes - Pool Repairs	20,000	4.75%
Total	<u>\$142,450</u>	

During 2006, the Township issued general obligation notes to finance the purchase of a tractor for use in maintaining Township roads. The Township's taxing authority collateralized the notes. The debt is being retired from the Debt Service Fund.

During 2008, the Township issued general obligation notes to finance the purchase of firefighting equipment. The Township's taxing authority collateralized the notes. The debt is being retired from the Debt Service Fund.

Also during 2008, the Township issued general obligation notes to finance repairs to the township swimming pool. The Township's taxing authority collateralized the notes.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	General Obligation Notes- Tractor	General Obligation Notes- Firefighting Equipment	General Obligation Notes- Pool Repairs
2009	\$6,244	\$32,804	\$5,950
2010	5,934	31,553	5,712
2011		30,302	5,475
2012		29,051	5,238
Total	\$12,178	\$123,710	\$22,375

**6. Retirement Systems**

The Township's employees and officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

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

Casualty Coverage

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

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

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

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$9,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.



**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. Risk Management (Continued)**

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

<b><u>Contributions to OTARMA</u></b>	
2006	\$10,901
2007	\$9,160
2008	\$9,134

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

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# Mary Taylor, CPA

Auditor of State

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

Harrison Township  
Muskingum County  
553 Front Street  
Philo, Ohio 43771

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 2, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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

We consider findings 2008-002 and 2008-003 described in the accompanying Schedule of Findings to be

significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiencies described above are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated October 2, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 2, 2009.

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

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



**Mary Taylor, CPA**  
Auditor of State

October 2, 2009

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing authority from making an expenditure unless it has been properly appropriated.

As of December 31, 2008, the following funds reflected expenditures which exceeded appropriations at the legal level of budgetary control:

<b>Fund – Function - Object</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>Fire District</b>			
Capital Outlay	\$20,000	\$145,802	(\$125,802)
<b>Park Levy</b>			
Conservation – Recreation			
Repairs and Maintenance	2,500	30,420	(27,920)
Small Tools & Minor Equipment	300	5,361	(5,061)
<b>General Note Retirement Fund No. 3101</b>			
Debt Service			
Redemption of Principal	0	28,800	(28,800)
Interest	0	4,190	(4,190)

As of December 31, 2007, the following funds reflected expenditures which exceeded appropriations at the legal level of budgetary control:

<b>Fund – Function - Object</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
<b>Fire District</b>			
Public Safety			
Other – Salaries	\$900	\$3,000	(\$2,100)
Workers' Compensation	1,500	2,008	(508)
<b>Road District</b>			
Public Works			
Other – Insurance & Bonding	1,000	1,317	(317)
<b>Park Levy</b>			
Conservation – Recreation			
Workers' Compensation	800	1,308	(508)
Other Expenses	9,550	15,537	(5,987)

The Township's failure to limit expenditures to the amounts appropriated could result in deficit spending.

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

**Officials' Response:** Appropriation line item changes will be presented and approved by the Trustees in the future.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-002**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised April 2009) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2008 and 2007, the Township did not always post receipts into accurate classifications, based upon the source of the receipt. For example, State homestead and rollback revenues in the amount of \$22,739 and \$15,880 for 2008 and 2007, respectively, were posted as Property Taxes instead of Intergovernmental.

In addition, in 2008 the Township issued notes in the aggregate amount of \$159,000. The note proceeds were posted as Miscellaneous revenue instead of Sale of Notes.

Material adjustments with which the Township officials' agree are reflected within the accompanying financial statements.

We recommend the Township utilize available authoritative resources to appropriately classify receipt transactions.

**Officials' Response:** Fiscal Officer will be more attentive to proper posting of receipts in the future.

**FINDING NUMBER 2008-003**

**Material Weakness**

The Township should have internal controls in place to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township Fiscal Officer did not always accurately post budgeted receipts, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and the amounts posted to the accounting system. The following table details these variances:

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

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

**FINDING NUMBER 2008-003  
(Continued)**

**Material Weakness (Continued)**

<u>Fund</u>	<u>Amount Per Last Amended Certificate</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
2008			
Fire District	\$172,270	\$65,260	(\$107,010)
Park Levy	73,606	46,504	(27,102)
General Note Retirement #3101	31,990	15,995	(15,995)
General Note Retirement #3103	259	0	(259)
2007			
General	30,340	29,349	(991)
Road and Bridge	34,249	31,270	(2,979)
Fire District	45,830	37,407	(8,423)
Road District	20,650	19,012	(1,638)
Park Levy	53,607	46,361	(7,246)

The Township Fiscal Officer did not always accurately post appropriations, and any amendments made to them, to the accounting system. Variances existed between the appropriation resolution/amendments and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Annual Appropriation Ordinance</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
2008			
Fire District	\$110,530	\$249,530	139,000
Park Levy	46,218	75,579	29,361
General Note Retirement #3101	0	32,990	32,990
General Note Retirement #3102	6,553	5,553	(1,000)
2007			
Fire District	85,899	93,422	7,523
Road District	64,852	66,490	1,638
Park Levy	49,336	56,582	7,246

Because the information entered into the accounting system was not always accurate, adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Township Trustees and only include budgeted receipts as certified by the County Auditor.

**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007  
(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 2008-003  
(Continued)**

**Material Weakness (Continued)**

We recommend the Township Trustees approve all appropriation amendments, record approval in the Board minutes, and file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Fiscal Officer should post these amendments only after obtaining the required approvals. We also recommend the Township Fiscal Officer record only estimated receipts from the Certificate of Estimated Resources and any amendments thereto.

**Officials' Response:** Fiscal Officer will post any amendments to budgeted receipts per the amended certificates from the County Auditor and appropriation amendments approved by the Trustees will also be posted to the UAN system.



**HARRISON TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Admin. Code Section 117-2-02(C)(1) – budgetary amounts not properly posted to the accounting system.	No	Not Corrected; Reissued as Finding No. 2008-003.
2006-002	Ohio Rev. Code Section 5705.38 – expenditures preceding appropriation approval.	Yes	N/A.
2006-003	Ohio Rev. Code Section 5705.40 – appropriation amendments without proper approval.	Yes	N/A.
2006-004	Ohio Rev. Code Section 5705.41 (B) – expenditures exceeding appropriations in various funds at the legal level of control.	No	Not Corrected; Reissued as Finding No. 2008-001.
2006-005	Ohio Rev. Code Section 5705.41 (D) – not always obtaining certification of availability of funds prior to incurring obligations.	No	Partially Corrected; Reissued in separate letter to management.





Mary Taylor, CPA  
Auditor of State

**HARRISON TOWNSHIP**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 19, 2009**