



OHIO AUDITOR OF STATE
KEITH FABER



**HARRISON TOWNSHIP
PERRY COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019 and 2018.

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, 2019 and 2018, 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 the Township, as of December 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, 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

December 16, 2020

**HARRISON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$26,010	\$212,262	\$238,272
Licenses, Permits and Fees	160,431	0	160,431
Intergovernmental	26,224	136,687	162,911
Earnings on Investments	346	279	625
Miscellaneous	500	18,125	18,625
<i>Total Cash Receipts</i>	<u>213,511</u>	<u>367,353</u>	<u>580,864</u>
Cash Disbursements			
Current:			
General Government	153,976	201,443	355,419
Public Safety	0	3,085	3,085
Public Works	0	110,851	110,851
Health	88,109	35,638	123,747
<i>Total Cash Disbursements</i>	<u>242,085</u>	<u>351,017</u>	<u>593,102</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(28,574)</u>	<u>16,336</u>	<u>(12,238)</u>
Other Financing Receipts			
Other Financing Sources	11,257	9,413	20,670
<i>Total Other Financing Receipts</i>	<u>11,257</u>	<u>9,413</u>	<u>20,670</u>
<i>Net Change in Fund Cash Balances</i>	(17,317)	25,749	8,432
<i>Fund Cash Balances, January 1</i>	<u>38,770</u>	<u>201,517</u>	<u>240,287</u>
Fund Cash Balances, December 31			
Restricted	0	163,131	163,131
Committed	0	64,135	64,135
Assigned	21,453	0	21,453
<i>Fund Cash Balances, December 31</i>	<u><u>\$21,453</u></u>	<u><u>\$227,266</u></u>	<u><u>\$248,719</u></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, 2019

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 these entities.

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, 2019

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 as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

EMS Fund – This fund receives levied property tax monies for EMS services.

Joint Cemetery Fund – This fund receives levied property tax monies for cemetery.

HARRISON TOWNSHIP
PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 2019 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, 2019

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, 2019

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 \$248,719

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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$224,768	\$224,768
Special Revenue	0	376,766	376,766
Total	\$0	\$601,534	\$601,534

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$279,006	(\$279,006)
Special Revenue	0	385,641	(385,641)
Total	\$0	\$664,647	(\$664,647)

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. Additionally, the Township did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2019. Because the Township did not certify the amounts available to the budget commission no amended certificate of estimated resources were issued and therefore all appropriations exceeded the amount certified as available by the budget commission during 2019 for all funds.

HARRISON TOWNSHIP
PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

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 2019 OPERS members contributed 10% of their wages. The Township contributed an amount equal to 14% of participant's gross salaries for 2019. The Township has paid all contributions required through December 31, 2019.

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 0 percent during calendar year 2019.

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.

HARRISON TOWNSHIP
PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. RISK MANAGEMENT (Continued)

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2019:

Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

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. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**HARRISON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,678	\$206,868	\$232,546
Licenses, Permits and Fees	177,335	0	177,335
Intergovernmental	26,587	125,883	152,470
Earnings on Investments	332	322	654
Miscellaneous	5,100	23,020	28,120
<i>Total Cash Receipts</i>	<u>235,032</u>	<u>356,093</u>	<u>591,125</u>
Cash Disbursements			
Current:			
General Government	173,789	174,362	348,151
Public Safety	0	3,061	3,061
Public Works	0	176,264	176,264
Health	26,994	20,802	47,796
<i>Total Cash Disbursements</i>	<u>200,783</u>	<u>374,489</u>	<u>575,272</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>34,249</u>	<u>(18,396)</u>	<u>15,853</u>
Other Financing Receipts			
Other Financing Sources	9,113	0	9,113
<i>Total Other Financing Receipts</i>	<u>9,113</u>	<u>0</u>	<u>9,113</u>
<i>Net Change in Fund Cash Balances</i>	43,362	(18,396)	24,966
<i>Fund Cash Balances, January 1</i>	<u>(4,592)</u>	<u>219,913</u>	<u>215,321</u>
Fund Cash Balances, December 31			
Restricted	0	163,484	163,484
Committed	0	38,033	38,033
Assigned	38,770	0	38,770
<i>Fund Cash Balances, December 31</i>	<u>\$38,770</u>	<u>\$201,517</u>	<u>\$240,287</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, 2018

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 these entities.

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, 2018

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 as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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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.

EMS Fund – This fund receives levied property tax monies for EMS services.

Joint Cemetery Fund – This fund receives levied property tax monies for cemetery.

HARRISON TOWNSHIP
PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 2018 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, 2018

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, 2018

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 \$240,287

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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$244,145	\$244,145
Special Revenue	0	356,093	356,093
Total	\$0	\$600,238	\$600,238

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$237,873	(\$237,873)
Special Revenue	0	400,560	(400,560)
Total	\$0	\$638,433	(\$638,433)

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. Additionally, the Township did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2018. Because the Township did not certify the amounts available to the budget commission no amended certificate of estimated resources were issued and therefore all appropriations exceeded the amount certified as available by the budget commission during 2018 for all funds.

HARRISON TOWNSHIP
PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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 2018 OPERS members contributed 10% of their wages. The Township contributed an amount equal to 14% of participant's gross salaries for 2018. The Township has paid all contributions required through December 31, 2018.

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 0 percent during calendar year 2018.

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.

HARRISON TOWNSHIP
PERRY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

7. RISK MANAGEMENT (Continued)

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2018:

Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

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. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated December 16, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

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

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

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2019-002 through 2019-006 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-007 described in the accompanying Schedule of Findings to be a significant deficiency.

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 financial statement. 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 2019-001 through 2019-003 and 2019-007 through 2019-009.

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

December 16, 2020

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Finding for Recovery Resolved Under Audit

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 requires the employing government to withhold state income taxes. It also requires the government to report and remit those tax matters to the appropriate tax authorities and to the recipients. 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 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 previous engagements, we noted a significant number of checks payable to the Treasurer of State of Ohio, for state taxes, dating from 2004 through 2016, which had not been mailed or remitted by the Township. As a result, we noted significant interest and penalties had accrued and a finding for recovery, which has since been repaid, was issued for \$6,671. During 2018, according to supporting tax reports provided by the Township, the Township paid \$9,510 and \$15,740 in penalties and interest for late state taxes paid for the periods 2011 through 2016 and 2004 through 2010, respectively. Therefore, \$18,579 in penalties and late fees have not yet been repaid to the Township for penalties and interest. Also, during 2018, the Township paid a total of \$28 in interest for late remittance and filing of 2018 first, second, and third quarter state tax withholdings. Additionally, the Fiscal Officer appears to have withheld the required state payroll taxes for both 2019 and 2018; however, there was no evidence they paid the taxes for 2019 or the fourth quarter of 2018, nor submitted the required annual reports as required by the State of Ohio. Failure to file and pay the required tax timely could result in additional penalties and interest levied against the Township.

We also noted during 2018 that the Township paid \$94 to the Ohio Public Employees Retirement System representing interest paid on late 2017 and 2018 remittances of pension withholdings. These payments do not constitute proper public purposes.

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 Kristine Hanson, Fiscal Officer, and her bonding company, Travelers Casualty and Surety Company of America, in the amount of \$18,701, and in favor of the Township's General Fund.

On December 9, 2020, the Township entered into a settlement agreement and payment plan for Finding Number 2019-001 with Kristine Hanson, Fiscal Officer. Ms. Hanson will make a payment of \$1,451 in January 2021 and 23 monthly payments thereafter of \$750.

The Fiscal Officer should remit the proper state taxes and retirement contributions promptly to the Ohio Department of Taxation and Ohio Public Employees Retirement System each period, as required, to avoid paying interest and penalties.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-002

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) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

No evidence of permanent appropriations being adopted was noted for 2018. According to the minutes, the Township adopted a permanent appropriation measure on April 2, 2019, for 2019; however, no appropriation resolutions were provided for audit for 2019 or 2018; nor were they filed with the County Budget Commission. This resulted in all expenditures exceeding legally adopted appropriations for each year. Furthermore, we noted amendments to appropriations in December 2019 in the General Fund, totaling \$14,800, which were posted to the accounting system without evidence of approval of the Board of Trustees.

Failure to properly approve appropriations and subsequent amendments and have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, resulting in deficit spending practices 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 Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2019-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-003 (Continued)

Noncompliance and Material Weakness (Continued)

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

Furthermore, Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Rev. Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2019 or 2018. Because the Township did not certify the amounts available to the budget commission no amended certificate of estimated resources were issued and therefore all appropriations exceeded the amount certified as available by the budget commission during 2019 and 2018.

This was not detected by the Township due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring. Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash fund balances.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the County Auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources. In addition, the Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the County should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board to reduce the appropriations.

FINDING NUMBER 2019-004

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.

HARRISON TOWNSHIP
PERRY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-004 (Continued)

Material Weakness (Continued)

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.

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, 2018 through December 31, 2019. These unexplained variances ranged from \$8,021 to \$161,721 during the audit period.

A large portion of these adjusting factors was due to receipts and expenditures not being recorded in the accounting system. 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 financial statements:

Fund	Net change in Fund Cash Balances
General	(\$5,577)
Motor Vehicle License Tax	(565)
Gasoline Tax	(751)
Road & Bridge	(491)
Cemetery	(638)
Total	<u>(\$8,022)</u>

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.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-005

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.

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 no instances of the monthly bank reconciliations being presented to the Trustees for approval. Furthermore as discussed in Finding Number 2019-004, we noted unexplained variances throughout the audit period on the Township's bank reconciliations that did not originally contain explanations. Failure to adequately monitor the activities of the Township by the Board of 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, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-006

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. 1800.177 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. Auditor of State Bulletin 2011-004 requires local governments that prepare cash basis financial statements to implement these fund balance classifications and governmental fund type definitions.

Our audit identified the following adjustments:

- We noted the Township improperly reported subsequent year appropriations in excess of estimated receipts and year-end outstanding encumbrances in the General Fund as Unassigned fund balance instead of reporting these items as Assigned fund balance, in the amounts of \$21,453 and \$38,770, for the years ending December 31, 2019 and 2018, respectively.
- The Township improperly reported the Road and Bridge Fund balances, which received its property tax revenue from inside the ten-mill limitation, as Nonspendable rather than as Committed, in the amounts of \$64,135 and \$38,033 for the years ended December 31, 2019 and 2018, respectively.
- The Township improperly reported the Cemetery Fund balances as Assigned rather than as Restricted in the amounts of \$14,119 and \$30,136 for 2019 and 2018, respectively.
- We noted the Township improperly recorded the fund balances of the Motor Vehicle License Tax and Gasoline Tax Funds as Nonspendable rather than as Restricted fund balances, in the amounts of \$7,442 and \$127,144 in 2019, respectively, and in 2018 in the amounts of \$4,018 and \$92,254, respectively.
- During 2019, homestead and rollback receipts of \$3,213, \$4,569, \$5,261, \$3,263 and \$5,892 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. During 2018, homestead and rollback receipts of \$3,257, \$4,607, \$5,307, \$3,292 and \$5,952 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.

We noted the Township's footnotes had the following errors:

- The 2019 and 2018 budgetary activity notes did not agree to approved budgetary documents or actual activity recorded on the Township's records and financial statements.
- Total deposits reported in Note 2 were reported as \$596,534 and \$605,122 rather than \$248,719 and \$240,287 for 2019 and 2018, respectively.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-006 (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 Townships 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.

FINDING NUMBER 2019-007

Noncompliance and Significant Deficiency

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

Property tax receipts were not properly allocated between the General Fund and the Road and Bridge Special Revenue Fund. As a result, Property Taxes were overstated in the General Fund and understated in the Road and Bridge Special Revenue Fund by \$10,134 during 2019. An audit adjustment is reflected in the financial statements and in the accounting records correcting this misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township Fiscal Officer should refer to the Ohio Township Handbook for guidance to determine the proper posting of receipts. Receipts should only be posted to the required fund for which each fund was established. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2019-008

Noncompliance

Section 278, Public Law 97-248, H. R. 4961 states that Medicare should be deducted from employees' compensation for all employees hired after March 31, 1986. Furthermore, employers are liable for reporting and remitting these taxes. 26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. 26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

The Township did not remit Federal income and Medicare taxes for employees during 2019 and 2018, in amounts of \$11,516 and \$10,291, respectively. Failure to remit Federal taxes and Medicare in a timely fashion, as required, could subject the Township to significant penalties and interest.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-008 (Continued)

Noncompliance (Continued)

The Township should withhold Federal income and Medicare from all applicable officials and employees' compensation and remit payments to the Internal Revenue Service in a timely manner.

This matter will be referred to the Internal Revenue Service for whatever action is deemed necessary.

FINDING NUMBER 2019-009

Noncompliance and Significant Deficiency

Maintaining organized documentation and support for financial transactions is essential in assuring the Township financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, Ohio Rev. Code § 149.351 requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§149.38 through 149.42.

The Township did not maintain underlying documentation and support for an electronic payment of \$5,467, from the Township's General Fund, to the Ohio Attorney General on April 25, 2018. The Fiscal Officer believed the payment was for taxes but failed to provide any additional explanation for the payment.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Township should maintain all invoices, purchase orders, and any other pertinent supporting documentation for all financial transactions and records be maintained in an orderly manner to support all transactions.

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, 2019 and 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding for Recovery for undocumented payments of State Taxes	Fully Corrected	
2017-002	Finding for Recovery for debit card purchases lacking documentation	Fully Corrected	
2017-003	ORC 5705.38(A) expenditure exceeding legally adopted appropriations	Not Corrected	Working on
2017-004	Appropriations and Estimated Resources did not agree to Township's accounting system	Not Corrected	Working on; Will try to correct
2017-005	Cash reconciliation errors and receipts and disbursements not recorded in accounting system	Not Corrected	Working on; Will try to correct
2017-006	Adequate segregation of duties	Not Corrected	Working on
2017-007	Incorrectly posting receipt and disbursement to accounting system	Not Corrected	Working on

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OHIO AUDITOR OF STATE KEITH FABER



HARRISON TOWNSHIP

PERRY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/29/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov