



**HARRISON TOWNSHIP
PREBLE COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED DECEMBER 31, 2019 AND 2018

HARRISON TOWNSHIP
PREBLE COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Harrison Township
Preble County
PO Box 607
Lewisburg, Ohio 45338

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, Preble 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 Section 117.38 and Ohio Administrative Code Section 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 Section 117.38 and Ohio Administrative Code Section 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.

Basis for Additional Opinion Qualification

During 2019 and 2018, the Township Trustees did not complete certifications or time logs and 100% of their salaries were paid from the Gasoline Tax Fund. Due to the lack of certifications or time logs supporting any allocation of the Trustees' pay, the Trustees' pay should have only been paid from the General Fund as being paid 100% from any other fund is unallowable, in accordance with Ohio Rev. Code § 505.24(C). As such, General Fund expenditures were understated by \$37,434 and Special Revenue Fund expenditures were overstated by the same amount for each year.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Preble County as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will 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 June 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large initial "K".

Keith Faber
Auditor of State

Columbus, Ohio

June 16, 2020

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Harrison Township
Preble County, Ohio
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 | \$37,612 | \$446,209 | \$483,821 |
| Licenses, Permits and Fees | 0 | 30,085 | 30,085 |
| Intergovernmental | 27,758 | 169,418 | 197,176 |
| Special Assessments | 0 | 135 | 135 |
| Earnings on Investments | 3,460 | 2,381 | 5,841 |
| Miscellaneous | 3,319 | 2,602 | 5,921 |
| <i>Total Cash Receipts</i> | <u>72,149</u> | <u>650,830</u> | <u>722,979</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 74,906 | 48,607 | 123,513 |
| Public Safety | 0 | 97,500 | 97,500 |
| Public Works | 0 | 282,790 | 282,790 |
| Health | 0 | 95,982 | 95,982 |
| Capital Outlay | 287 | 26,495 | 26,782 |
| <i>Total Cash Disbursements</i> | <u>75,193</u> | <u>551,374</u> | <u>626,567</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(3,044)</u> | <u>99,456</u> | <u>96,412</u> |
| <i>Net Change in Fund Cash Balances</i> | (3,044) | 99,456 | 96,412 |
| <i>Fund Cash Balances, January 1</i> | <u>56,004</u> | <u>1,745,202</u> | <u>1,801,206</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 1,844,658 | 1,844,658 |
| Committed | 0 | 0 | 0 |
| Assigned | 47,085 | 0 | 47,085 |
| Unassigned (Deficit) | 5,875 | 0 | 5,875 |
| <i>Fund Cash Balances, December 31</i> | <u>\$52,960</u> | <u>\$1,844,658</u> | <u>\$1,897,618</u> |

See accompanying notes to the basic financial statements

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Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Preble 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 Lewisburg, the Village of West Manchester, and the Village of Verona to provide fire services and the Village of Lewisburg to provide ambulance services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Fire District Fund The fire district fund receives fire levy money for providing contracted fire services to Township residents.

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Cemetery Fund The cemetery fund receives levy money and proceeds from the sale of cemetery lots and opening and closing charges for maintaining the Township's Cemetery.

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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.

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.

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.

Deposits

The Township funds are pooled together in checking and savings accounts with local commercial banks.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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:

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

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

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.

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.

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.

Note 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 | \$18,590 | \$72,149 | \$53,559 |
| Special Revenue | 514,907 | 650,830 | 135,923 |
| Total | \$533,497 | \$722,979 | \$189,482 |

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$74,205 | \$75,193 | (\$988) |
| Special Revenue | 1,279,020 | 551,374 | 727,646 |
| Total | \$1,353,225 | \$626,567 | \$726,658 |

Note 4 – Deposits

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

| | |
|--|-------------------|
| Demand deposits | 2019 \$950,618 |
| Other time deposits (savings and NOW accounts) | 947,000 |
| Total deposits | \$1,897,618 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; 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.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Risk Pool Membership

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 Township's policy. The Pool covers the following risks:

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

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

| | |
|-----------------------|--------------|
| | 2018 |
| Cash and investments | \$33,097,416 |
| Actuarial liabilities | \$7,874,610 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees and elected 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 include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 8 – 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. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Subsequent Event

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 ensuing emergency measures will impact subsequent periods of the Township. In addition, 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*Preble County, Ohio**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 | \$38,563 | \$359,294 | \$397,857 |
| Licenses, Permits and Fees | 0 | 28,621 | 28,621 |
| Intergovernmental | 27,227 | 144,436 | 171,663 |
| Special Assessments | 0 | 364 | 364 |
| Earnings on Investments | 2,930 | 2,175 | 5,105 |
| Miscellaneous | 3,172 | 666 | 3,838 |
| <i>Total Cash Receipts</i> | <u>71,892</u> | <u>535,556</u> | <u>607,448</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 63,561 | 56,303 | 119,864 |
| Public Safety | 0 | 83,999 | 83,999 |
| Public Works | 0 | 375,296 | 375,296 |
| Health | 0 | 93,380 | 93,380 |
| Capital Outlay | 430 | 0 | 430 |
| <i>Total Cash Disbursements</i> | <u>63,991</u> | <u>608,978</u> | <u>672,969</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>7,901</u> | <u>(73,422)</u> | <u>(65,521)</u> |
| <i>Net Change in Fund Cash Balances</i> | 7,901 | (73,422) | (65,521) |
| <i>Fund Cash Balances, January 1</i> | <u>48,103</u> | <u>1,818,624</u> | <u>1,866,727</u> |
| Fund Cash Balances, December 31 | | | |
| Nonspendable | 0 | 0 | 0 |
| Restricted | 0 | 1,745,202 | 1,745,202 |
| Committed | 0 | 0 | 0 |
| Assigned | 55,510 | 0 | 55,510 |
| Unassigned (Deficit) | 494 | | 494 |
| <i>Fund Cash Balances, December 31</i> | <u>\$56,004</u> | <u>\$1,745,202</u> | <u>\$1,801,206</u> |

See accompanying notes to the basic financial statements

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Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Preble 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 Lewisburg, the Village of West Manchester, and the Village of Verona to provide fire services and the Village of Lewisburg to provide ambulance services.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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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:

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Fire District Fund The fire district fund receives fire levy money for providing contracted fire services to Township residents.

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Cemetery Fund The cemetery fund receives levy money and proceeds from the sale of cemetery lots and opening and closing charges for maintaining the Township’s Cemetery.

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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.

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.

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.

Deposits

The Township funds are pooled together in checking and savings accounts with local commercial banks.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

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

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

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.

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.

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.

Note 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 | \$18,590 | \$71,892 | \$53,302 |
| Special Revenue | 514,907 | 535,556 | 20,649 |
| Total | \$533,497 | \$607,448 | \$73,951 |

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$83,750 | \$63,991 | \$19,759 |
| Special Revenue | 1,088,100 | 608,978 | 479,122 |
| Total | \$1,171,850 | \$672,969 | \$498,881 |

Note 4 – Deposits

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

| | |
|--|-------------|
| | 2018 |
| Demand deposits | \$858,927 |
| Other time deposits (savings and NOW accounts) | 942,279 |
| Total deposits | \$1,801,206 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township; 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.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Township.

Note 6 – 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
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

| | 2017 |
|--------------|--------------|
| Assets | \$40,010,732 |
| Liabilities | 8,675,465 |
| Net Position | \$31,335,267 |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

| <u>2018 Contributions to OTARMA</u> |
|--|
| \$9,070 |

Harrison Township
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All employees and elected 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 include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – 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. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Subsequent Event

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 ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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
Preble County
PO Box 607
Lewisburg, Ohio 45338

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, Preble County, (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 June 16, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We qualified our opinion due to improper allocation of Trustees' pay.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

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

June 16, 2020

HARRISON TOWNSHIP
PREBLE 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

Noncompliance/Material Weakness and Finding for Adjustment

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. If Trustees do not certify this time, then no part of salaries may be paid from restricted funds.

Township officials are required to attend board meetings in order to conduct the regular business of the township. Attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

During 2019 and 2018, the Township Trustees did not complete certifications or time logs and 100% of their salaries were paid from the Gasoline Tax Fund. Due to the lack of certifications or time logs supporting any allocation of the Trustees' pay, the Trustees' pay should have only been paid from the General Fund as being paid 100% from any other fund is unallowable.

This resulted in the Township's 2019 and 2018 General Fund expenditures being understated by \$37,434 each year and the Gasoline Tax Special Revenue Fund expenditures being overstated by \$37,434 each year. The Township's accompanying financial statements and accounting system fund balances have not been adjusted to correct these errors. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund in favor of the Gasoline Tax Fund in the amount of \$74,868.

The Township should implement procedures to properly allocate salaries based upon the requirements in the Ohio Rev. Code section noted above and certifications prepared by Township officials to provide for accurate fund balances. Failure to properly allocate officials' salaries in accordance with the above Ohio Rev. Code section and certifications could lead to misallocation of funds, misstated financial statements, and overspending of the Township's budget.

Official's Response:

Officials did not provide a response to this finding.

FINDING NUMBER 2019-002

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 & .A16.

All financial information should be correctly reported and classified in the annual financial statements and accounting system. The Township did not have procedures in place to accurately report financial activity. The following material errors which required re-classifications and adjustments to the financial statements and adjustments to the accounting system to correctly report the financial activity during the audit period were noted:

- 2018 General Fund Property Tax Receipts were overstated by \$4,943 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.
- 2018 Road Levy Special Revenue Fund Property Tax Receipts were understated by \$2,662 and Road & Bridge Special Revenue Fund Property Tax Receipts were overstated by the same amount due to an improper allocation between funds, resulting in a fund balance adjustment of \$2,662.
- 2018 Ambulance Levy Special Revenue Fund Property Tax Receipts were overstated by \$4,628 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.
- 2018 Fire Levy Special Revenue Fund Property Tax Receipts were overstated by \$9,277 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.
- 2018 Cemetery Special Revenue Fund Property Tax Receipts were overstated by \$4,204 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.
- 2018 Road & Bridge Special Revenue Fund Property Tax Receipts were overstated by \$21,109 and Road & Bridge, Cemetery, and Road Levy Special Revenue Funds Intergovernmental Revenue were understated by \$14,757, \$2,437, and \$3,915 respectively due to improper posting of homestead/rollback reimbursements, resulting in fund balance adjustments of \$6,352, \$2,437 and \$3,915 respectively.
- 2018 Permissive Motor Vehicle License Tax Special Revenue Fund Intergovernmental Revenue was overstated by \$18,135 and Property Tax Receipts were understated by the same amount due to improper posting of permissive taxes.
- 2019 General Fund Property Tax Receipts were overstated by \$4,982 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.
- 2019 Ambulance Levy Special Revenue Fund Property Tax Receipts were overstated by \$4,647 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursement.
- 2019 Fire Levy Special Revenue Fund Property Tax Receipts were overstated by \$9,317 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.
- 2019 Cemetery Special Revenue Fund Property Tax Receipts were overstated by \$6,697 and Intergovernmental Revenue was understated by the same amount due to improper posting of homestead/rollback reimbursements.

- 2019 Road & Bridge Special Revenue Fund Property Tax Receipts were overstated by \$22,004 and Road & Bridge and Road Levy Special Revenue Funds Intergovernmental Revenue were understated by \$18,073 and \$3,931 respectively due to improper posting of homestead/rollback reimbursements, resulting in fund balance adjustments of \$3,931 for each fund.
- 2019 Permissive Motor Vehicle License Tax Special Revenue Fund Intergovernmental Revenue was overstated by \$18,180 and Property Tax Receipts were understated by the same amount due to improper posting of permissive taxes.
- 2019 Road Levy Special Revenue Fund Property Tax Receipts were understated by \$36,634 and Road & Bridge Special Revenue Fund Property Tax Receipts were overstated by the same amount due to an improper allocation between funds, resulting in a fund balance adjustment of \$36,634.
- Governmental Accounting Standards Board (GASB) Statement 54, paragraph 16 (GASB Codification 1800.176) and Auditor of State Bulletin 2011-004 state, in part, that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund, as it is the only fund with a positive unassigned fund balance. The Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in the amount of \$55,510 for 2018 and \$47,085 for 2019. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

The failure to correctly classify fund balances and financial activity on financial statements may impact the user's understanding of the financial operations, the Board of Trustees' ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts.

The errors identified should be reviewed by the Board of Trustees to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in the classification of fund balances. In addition to the monthly review of financial reports, the Board of Trustees should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

Official's Response:

Officials did not provide a response to this finding.

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HARRISON TOWNSHIP
PREBLE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|------------------|-------------------------------|
| 2017-001 | Material Weakness – Financial Statement Misstatements | Not Corrected | Repeated as Finding 2019-002 |

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OHIO AUDITOR OF STATE KEITH FABER



HARRISON TOWNSHIP

PREBLE 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
JULY 14, 2020**