



**HARRISON TOWNSHIP
PREBLE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HARRISON TOWNSHIP
PREBLE COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township
Preble County
P. O. Box 607
Lewisburg, Ohio 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison Township, Preble County, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

July 23, 2001

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**HARRISON TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$69,835	\$372,446	\$442,281
Intergovernmental Receipts	4,264	23,695	27,959
Special Assessments	0	152	152
Fines, Licenses, and Permits	0	13,381	13,381
Earnings on Investments	22,788	3,405	26,193
Miscellaneous	411	4,160	4,571
	<u>97,298</u>	<u>417,239</u>	<u>514,537</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Public Safety	0	64,000	64,000
Public Health Services	11,276	69,615	80,892
Public Works	0	276,896	276,896
General Government	83,155	28,000	111,155
Capital Outlay	4,449	42,442	46,891
	<u>98,881</u>	<u>480,953</u>	<u>579,834</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	(1,583)	(63,714)	(65,297)
Fund Cash Balances January 1	56,497	497,303	553,800
	<u>56,497</u>	<u>497,303</u>	<u>553,800</u>
Fund Cash Balances, December 31	<u>\$54,914</u>	<u>\$433,589</u>	<u>\$488,503</u>

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$51,162	\$343,934	\$395,096
Intergovernmental Receipts	3,762	20,271	24,033
Special Assessments	0	183	183
Fines, Licenses, and Permits	0	14,632	14,632
Earnings on Investments	13,735	1,881	15,616
Miscellaneous	481	3,013	3,494
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	69,140	383,914	453,054
Cash Disbursements:			
Current:			
Public Safety	0	35,606	35,606
Public Health Services	7,086	66,905	73,991
Public Works	0	135,497	135,497
General Government	77,548	21,000	98,548
Capital Outlay	750	36,558	37,308
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	85,383	295,567	380,950
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	(16,243)	88,347	72,104
Other Financing Receipts/(Disbursements):			
Sale of Assets	1,815	0	1,815
Advances-In	0	31,000	31,000
Advances-Out	(31,000)	0	(31,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(29,185)	31,000	1,815
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	(45,428)	119,347	73,919
Fund cash balances January 1	<hr/>	<hr/>	<hr/>
	101,925	377,955	479,880
Fund Cash Balances, December 31	<hr/> \$56,497 <hr/>	<hr/> \$497,303 <hr/>	<hr/> \$553,800 <hr/>

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harrison Township, Preble County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Villages of Lewisburg, Verona, and West Manchester to provide fire and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Motor Vehicle License Tax Fund - This fund receives license tax money to pay for maintaining and repairing Township roads.

Cemetery Fund- This fund receives proceeds from the sale of cemetery lots for maintaining Township cemeteries.

Fire District Fund- This fund receives proceeds from the property tax fire levy for providing fire protection to Township residents.

Ambulance District Fund - This fund receives proceeds from the property tax ambulance levy for providing emergency services to Township residents.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$108,503	\$149,571
Certificates of deposit	<u>380,000</u>	<u>404,229</u>
Total deposits	<u><u>\$488,503</u></u>	<u><u>\$553,800</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. During 1999 and 2000 deposits were not always adequately collateralized.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$70,000	\$97,298	\$27,298
Special Revenue	<u>359,180</u>	<u>417,239</u>	<u>58,059</u>
Total	<u><u>\$429,180</u></u>	<u><u>\$514,537</u></u>	<u><u>\$85,357</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$113,000	\$98,881	\$14,119
Special Revenue	<u>529,300</u>	<u>480,953</u>	<u>48,347</u>
Total	<u><u>\$642,300</u></u>	<u><u>\$579,834</u></u>	<u><u>\$62,466</u></u>

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,500	\$70,955	\$28,455
Special Revenue	372,699	383,914	11,215
Total	\$415,199	\$454,869	\$39,670

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$103,000	\$85,383	\$17,617
Special Revenue	438,200	295,567	142,633
Total	\$541,200	\$380,950	\$160,250

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. CAPITAL LEASES

The Township has entered into three capital leases. In July 1996, the Township lease purchased a backhoe. The Township made regular monthly lease payments of \$1,622.76. The termination date of the backhoe lease was May 1999 and was paid in full in June 1999. In June 1998, the Township lease purchased a tractor. The Township began making regular semi-annual lease payments of \$10,269.17 starting in June 1998. The termination date of the tractor lease is June 2001. In March of 1999, the Township entered into a lease purchase agreement to obtain a mower. The Township began making monthly payments of \$264.09 starting in May 1999.

6. RETIREMENT SYSTEMS

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

**HARRISON TOWNSHIP
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 1999 and 10.84% of participant's gross salaries for 2000. The Township has paid all contributions required through December 31, 2000.

6. RISK MANAGEMENT

The Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up the limits of the Township's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Vehicles
- Public Officials Liability

7. COMPLIANCE

- A. Deposits at Eaton National Bank were not adequately covered by collateral at all times during the audit period.
- B. The Township did not certify the availability of funds for all commitments.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Harrison Township
Preble County
P. O. Box 607
Lewisburg, Ohio. 45338

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Preble County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated July 23, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2000-40368-001 and 2000-40368-002.

We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated July 23, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2000-40368-001 and 2000-40368-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses.

Harrison Township
Preble County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

July 23, 2001

HARRISON TOWNSHIP
PREBLE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999

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

Finding Number	2000-40368-001
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Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 135.18 provides that the fiscal officer shall require the institution designated as a public depository to pledge and deposit eligible securities of aggregate market value equal to the excess of deposits over and above those covered by the federal deposit insurance corporation.

The Township's deposits at Eaton National Bank were not adequately covered by collateral at all times during the audit period. During the audit period of January 1, 1999 to December 31, 2000, up to \$291,135 exceeded legal security.

Failure to properly insure and collateralize deposits can result in a loss of funds.

The Township should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

Finding Number	2000-40368-002
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Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Thirty-three percent (33%) of expenditures tested for the years ended December 31, 2000, and 1999, were not properly certified and encumbered and were not included in the exceptions.

Failure to properly encumber expenditures can result in overspending funds and negative cash fund balances. We recommend the Township properly utilize the encumbrance method of accounting by obtaining approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.



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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
AUGUST 28, 2001**