

**HARRISON TOWNSHIP
PERRY COUNTY**

AUDIT REPORT

JANUARY 1, 2011 - DECEMBER 31, 2012

**Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701**



Dave Yost • Auditor of State

Board of Trustees
Harrison Township
309 Elizabeth Street
Crooksville, Ohio 43731

We have reviewed the *Independent Auditors' Report* of Harrison Township, Perry County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 22, 2013

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**HARRISON TOWNSHIP
PERRY COUNTY
JANUARY 1, 2011 - DECEMBER 31, 2012**

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**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harrison Township
309 Elizabeth Street
Crooksville, Ohio 43731

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Harrison Township, Perry County, as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 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 Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 Harrison Township as of December 31, 2012 and 2011, or 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 combined cash balances of the Harrison Township, Perry County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements 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 permits, described in Note 1.

Emphasis of a Matter

As discussed in Note 3 to the financial statements, during 2011, the Township adopted new accounting guidance in Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 a report dated September 25, 2013, on our consideration of the Township of Senecaville'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.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 25, 2013

**HARRISON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 26,514	\$ 218,792	\$ 245,306
Charges for Services	-	12,850	12,850
Licenses, Permits, and Fees	159,329	-	159,329
Intergovernmental	18,950	89,981	108,931
Earnings on Investments	359	28	387
Miscellaneous	-	756	756
Total Cash Receipts	<u>205,152</u>	<u>322,407</u>	<u>527,559</u>
Cash Disbursements:			
Current:			
General Government	54,564	-	54,564
Public Safety	-	183,512	183,512
Public Works	4,155	156,136	160,291
Health	-	14,894	14,894
Capital Outlay	100,381	-	100,381
Total Cash Disbursements	<u>159,100</u>	<u>354,542</u>	<u>513,642</u>
Total Cash Receipts Over/(Under) Cash Disbursements	46,052	(32,135)	13,917
Other Financing Receipts/(Disbursements)			
Sale of Capital Assets	-	4,000	4,000
Total Other Financing Receipts/(Disbursements)	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	46,052	(28,135)	17,917
Fund Cash Balances, January 1	<u>167,607</u>	<u>75,903</u>	<u>243,510</u>
Fund Cash Balances, December 31			
Restricted	-	47,768	47,768
Unassigned (Deficit)	213,659	-	213,659
Fund Cash Balances, December 31	<u>\$ 213,659</u>	<u>\$ 47,768</u>	<u>\$ 261,427</u>

See notes to financial statements.

**HARRISON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 25,641	\$ 218,160	\$ 243,801
Charges for Services	-	13,650	13,650
Licenses, Permits, and Fees	119,631	-	119,631
Intergovernmental	22,848	99,100	121,948
Earnings on Investments	504	80	584
Miscellaneous	2,492	6,111	8,603
Total Cash Receipts	<u>171,116</u>	<u>337,101</u>	<u>508,217</u>
Cash Disbursements:			
Current:			
General Government	54,554	500	55,054
Public Safety	-	169,296	169,296
Public Works	-	138,316	138,316
Health	-	24,190	24,190
Capital Outlay	74,055	-	74,055
Total Cash Disbursements	<u>128,609</u>	<u>332,302</u>	<u>460,911</u>
Total Cash Receipts Over/(Under) Cash Disbursements	42,507	4,799	47,306
Other Financing Receipts/(Disbursements)			
Sale of Capital Assets	13,500	-	13,500
Total Other Financing Receipts/(Disbursements)	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	56,007	4,799	60,806
Fund Cash Balances, January 1	<u>111,600</u>	<u>71,104</u>	<u>182,704</u>
Fund Cash Balances, December 31			
Restricted	-	75,903	75,903
Unassigned (Deficit)	167,607	-	167,607
Fund Cash Balances, December 31	<u>\$ 167,607</u>	<u>\$ 75,903</u>	<u>\$ 243,510</u>

See notes to financial statements.

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

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 publically-elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance, fire protection services and emergency medical services. The Township contracts with the Village of Crooksville and the Village of Roseville to provide fire protection 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 and 8 to the financial statements provide additional information for this entity. These organizations are:

Jointly Governed Organizations:
Harrison Township Union Cemetery

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible

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

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

C. Cash 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 into the following types:

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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 receipts for constructing, maintaining, and repairing Township roads and bridges.

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

Fire Fund – This fund receives levied property tax monies for fire protection services.

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

E. 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 and object level of control and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation. 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 also 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 2012 and 2011 budgetary activity appears in Note 4.

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH

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

	2012	2011
Demand Deposits	\$ 261,427	\$ 243,510

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. CHANGE IN ACCOUNTING PRINCIPLE AND ACCOUNTING BASIS

In 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on fund balances of the major governmental funds and all other governmental funds as previously reported.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 91,122	\$ 205,152	\$ 114,030
Special Revenue	364,991	326,407	(38,584)
Total	\$ 456,113	\$ 531,559	\$ 75,446

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 159,100	\$ (159,100)
Special Revenue	-	354,542	(354,542)
Total	\$ -	\$ 513,642	\$ (513,642)

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 78,375	\$ 184,616	\$ 106,241
Special Revenue	306,563	337,101	30,538
Total	\$ 384,938	\$ 521,717	\$ 136,779

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 128,609	\$ (128,609)
Special Revenue	-	332,302	(332,302)
Total	\$ -	\$ 460,911	\$ (460,911)

Contrary to ORC Section 5705.36, the Township did not obtain certificates of estimated resources from the Perry County Auditor for 2012 and 2011.

Contrary to Ohio Revised Code Section 5705.38, the legislative authority of the Township did not formally approve or file appropriations for 2012 and 2011.

Contrary to Ohio Revised Code Section 5705.41 (B), all funds had expenditures exceeding appropriations in 2012 and 2011.

Contrary to Ohio Revised Code Section 5705.41(D), in 2012 and 2011 the Township had fiscal certificates that were dated after invoices.

5. PROPERTY TAX

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

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

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

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RETIREMENT SYSTEMS

The Township's full-time employees and elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS 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 2012 and 2011, PERS members contributed 10.0% of their wages, respectively. The Township contributed an amount equal to 14.00% of participant's gross salaries for 2012 and 2011, respectively. The Township has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) 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 member's deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$ 4,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Retained Earnings	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,767.

**HARRISON TOWNSHIP
PERRY COUNTY**

NOTES TO FINANCIAL STATEMENTS

7. RISK MANAGEMENT (Continued)

Based on discussion 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. The Townships contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2012	\$ 4,151
2011	4,262
2010	2,658

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

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 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 received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. Management believes such refunds, if any, would not be material.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

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

Harrison Township
Perry County
307 Elizabeth Street
Crooksville, Ohio 43731

To The Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Harrison Township, Perry County, Ohio, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 25, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. As stated in Note 3, the Township has implemented GASB Statement No.54 "*Fund balance Reporting and Governmental Fund Type Definitions*" during 2012 and 2011.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Harrison 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 2012-001, 2012-002, 2012-003, 2012-005, 2012-006 and 2012-007 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether Harrison 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-004 and 2012-007.

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

We did note certain matters not requiring inclusion in this report that we reported to the management of Harrison Township in a separate letter dated September 25, 2013.

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 communication is not suitable for any other purpose.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 25, 2013

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-001

Noncompliance Citation /Material Weakness

Ohio Revised Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year.

There was no evidence presented for audit to indicate that the Fiscal Officer certified the amount available for expenditures with the County Auditor for 2012 and 2011.

We recommend the Fiscal Officer certify to the County Auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances from the preceding year. This should be done on or about the first day of the year.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2012-002

Noncompliance Citation /Material Weakness

Ohio Revised Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official certificate.

There was no evidence presented for audit to indicate that an annual appropriation measure was approved by the Township Trustees or submitted to the County Auditor for 2012 or 2011. It appears that a temporary appropriation measure was passed in January 2012, but an annual appropriation measure was not passed in either year.

We recommend the Township Trustees approve, and state in the minutes as evidenced of approval, an appropriation measure on or about the first of the year. This appropriation measure should be submitted to the County Auditor by the same date.

Client Response: We agree with finding and will try to improve in the future.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-003

Noncompliance Citation /Material Weakness

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been properly appropriated.

All expenditures made during 2012 and 2011 were made without properly being appropriated. This amounted to \$513,642 and \$460,911, respectively, being expended each year without any budgetary expenditure amount being passed to restrict expenditures.

We recommend the Township Trustees approve, and state in the minutes as evidence of approval, an appropriation measure on or about the first day of the year. This appropriation measure should be submitted to the County Auditor by the same date. The Fiscal Officer should deny any payment that would cause expenditures to exceed appropriations.

Client Response: We agree with finding and will try to improve in the future.

FINDING NUMBER 2012-004

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) states in part that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of Fiscal Officer of the subdivision. The Fiscal Officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Prior certification was not obtained for 29.6% in 2012 and 36.0% in 2011 of the expenditures tested.

The Fiscal Officer should certify funds before each payment is made through the issuance of a regular, blanket, or super blanket purchase order. Blanket certificates should be issued for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of council against any specific line item account over a period not running beyond the end of the current fiscal year. A super blanket purchase order can be completed for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most recurring or reasonable predictable operating expenditures. This is not to extend beyond the current year. More than one super blanket may be outstanding at one particular time for a particular line item appropriation account.

Also, as an alternative, the Township can issue then and now certificates for expenses up to \$3,000. Then and now certificates allow the Fiscal Officer to certify that both at the time the expenditure was made and at the time that the certification is completed, sufficient funds are available. These certificates can be certified by the Fiscal Officer without subsequent authorization from the Council. However, then and now certificates issued by the Fiscal Officer over \$3,000, must be authorized by the Council within thirty days after payment.

Client Response: We agree with finding and will try to improve in the future.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-005

Material Weakness – Monitoring of Financial Activity

A well-designed system of internal control will include monitoring of financial information and reports by the governing board in order to compensate for any lack of segregation of duties.

The 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 that the Board of Trustees monitor financial activity closely.

During the audit period, there was no documentation of the extent to which the Trustees reviewed financial information to monitor the financial activity of the Township. The lack of monitoring by the Board of Trustees was evidenced by unexplained significant reconciling items being included on the Township's bank reconciliations and budgetary information not being posted to the accounting system. We also noted several instances where receipts were deposited but not posted to the UAN system in a timely manner.

Failure to monitor financial activity resulted in unexplained long outstanding reconciling items not being investigated and corrected in a timely fashion. This contributed, in part, to the Township incurring increased audit costs for these items to be investigated so that the necessary assurances could be gained over the Township's financial statements. In addition, this could result in additional errors and/or irregularities occurring and remaining undetected for an extended period of time.

We recommend the Board of Trustees review monthly bank reconciliations. The completion of this procedure should be noted in the Township's minutes and documented by the Trustees' signatures or initials and date and maintained on file as evidence of this review. Additionally, the Board of Trustees should carefully review and approve pertinent financial information, such as the cash journal, appropriation ledger, receipts ledger, etc., on a monthly basis, and make appropriate inquiries to help to determine the reasonableness, accuracy, and continued integrity of financial information.

Client Response: The Trustees will monitor monthly activity more closely.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-006

Material Weakness – Bank Reconciliations

In order to ensure the completeness over the Township's financial statements and reports, bank reconciliations should be performed on a monthly basis. The monthly bank reconciliation process should include the investigation and resolution of any variances between amounts reported by the bank and amounts posted to the Township's accounting system.

The Township's bank reconciliations during the audit period contained significant reconciling factors labeled as "other adjusting factors." These factors ranged from \$(126,649 up to \$10,530 on the Township's monthly reconciliations. The Fiscal Officer failed to follow up on these variances each month and, therefore, differences between the Township's bank balance and book balance accumulated. Through additional audit procedures, we noted these variances were a result of transactions processed by the bank which were not properly posted to the Township's accounting system. In addition, we noted outstanding checks were included on the Township's outstanding check listing which were dated as far back as 2001.

The failure to investigate and identify variances and old reconciling items as part of the monthly reconciliation process could result in errors and/or irregularities occurring and remaining undetected. This also results monthly financial reports being misleading due to these reports, including the incorrect balances for each fund.

We recommend the Fiscal Officer perform bank reconciliations on a monthly basis. In order for the reconciliation process to be effective, variances should be promptly investigated and corrected as part of the reconciliation process. In addition, we recommend the Board of Trustees review the Township's bank reconciliations each month to monitor for unusual items and to ensure variances are corrected on a timely basis.

Client Response: Bank reconciliations will be monitored more closely and variances will be reconciled. Trustees will sign off on the bank reconciliations.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012**

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

FINDING NUMBER 2012-007

Noncompliance Citation / Material Weakness

Proper Classification of Receipts and Expenditures

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

The testing of receipts and expenditures revealed that several items were not properly classified by the Township Fiscal Officer. All of these items required reclassification. Items requiring reclassification included Property and Other Local Taxes, Intergovernmental Revenue, General Government, Public Safety, Public Works, Health, Conservation-Recreation and Capital Outlay.

The Township Fiscal Officer should review the account code classifications in the UAN system and the "Ohio Township Handbook" chart of accounts and post receipts and expenditures to the proper line item account codes and fund. This will help ensure receipts and expenditures are properly reflected in the financial statements. In addition, fairly presented financial statements provide the Township Trustees with the ability to analyze information in a consistent manner which aids in making informed financial decisions regarding Township operations.

The Fiscal Officer should input the correct estimated receipts into the proper line item accounts on the budgetary system once they have been certified by the Budget Commission and the correct appropriation amounts into the proper line item accounts on the budgetary system once they have been approved by the Board. Monthly comparisons of budgeted and actual revenue and expenditures for all funds should be presented to the Board to allow for monitoring of fiscal operations of the Township. The Board of Trustees should review these reports for significant variances from expectations.

Client Response: The Fiscal Officer will review the account code classification in the UAN system.

**HARRISON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010/001	ORC 5705.36 - Certifying Amount Available for Expenditures	No	Not Corrected - Refer to Finding 2012-001
2010-002	ORC 5705.38 - Passing Annual Appropriation Measure	No	Not Corrected - Refer to Finding 2012-002
2010-003	ORC 5705.41(B) - Expenditures Exceed Appropriations	No	Not Corrected - Refer to Finding 2012-003
2010-004	ORC 5705.41(D) - Expenditures Made Without Prior Certification	No	Not Corrected - Refer to Finding 2012-004
2010-005	Monitoring of Financial Activity	No	Not Corrected - Refer to Finding 2012-005
2010-006	Bank Reconciliations	No	Not Corrected - Refer to Finding 2012-006
2010-007	Ohio Admin Code Section 117-2-02(A) Proper Classification of Transactions	No	Not Corrected - Refer to Finding 2012-007



Dave Yost • Auditor of State

HARRISON TOWNSHIP

PERRY 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
DECEMBER 5, 2013**