



Dave Yost • Auditor of State

HARRISON TOWNSHIP
MONTGOMERY COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Harrison Township
Montgomery County
5945 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Harrison Township, Montgomery County, (the Township) as of and for the years ended December 31, 2014 and 2013.

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 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, 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 permitted 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, 2014 and 2013, or changes in financial position or cash flows 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 Harrison Township, Montgomery County as of December 31, 2014 and 2013, 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(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Township restated its beginning fund balances for 2013. We did not modify our opinion regarding this matter.

Additionally, for the year ended December 31, 2013, the Township revised its financial presentation from that comparable to the requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*, to a format the Auditor of State prescribes or permits.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2015, 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.



Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2015

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$153,796	\$6,810,141	\$6,963,937
Charges for Services		1,004,787	1,004,787
Licenses, Permits and Fees	263,909		263,909
Fines and Forfeitures	16,172		16,172
Intergovernmental	208,237	1,772,368	1,980,605
Special Assessments		213,429	213,429
Earnings on Investments	35,395	3,496	38,891
Miscellaneous	173,523	489,805	663,328
Total Cash Receipts	<u>851,032</u>	<u>10,294,026</u>	<u>11,145,058</u>
Cash Disbursements:			
Current:			
General Government	1,648,097		1,648,097
Public Safety		8,674,006	8,674,006
Public Works	10,000	1,917,905	1,927,905
Health	9,828		9,828
Conservation-Recreation	15,985		15,985
Other	28,629	1,744	30,373
Capital Outlay	20,273	254,501	274,774
Total Cash Disbursements	<u>1,732,812</u>	<u>10,848,156</u>	<u>12,580,968</u>
Excess of Receipts (Under) Disbursements	<u>(881,780)</u>	<u>(554,130)</u>	<u>(1,435,910)</u>
Other Financing Receipts (Disbursements):			
Transfers In		452,193	452,193
Transfers Out	(452,193)		(452,193)
Advances In	531,509	83,316	614,825
Advances Out	(83,316)	(531,509)	(614,825)
Total Other Financing Receipts (Disbursements)	<u>(4,000)</u>	<u>4,000</u>	<u></u>
Net Change in Fund Cash Balances	(885,780)	(550,130)	(1,435,910)
Fund Cash Balances, January 1	<u>1,615,423</u>	<u>4,222,561</u>	<u>5,837,984</u>
Fund Cash Balances, December 31:			
Restricted		3,634,994	3,634,994
Committed		37,437	37,437
Assigned	289,284		289,284
Unassigned (Deficit)	440,359		440,359
Fund Cash Balances, December 31	<u>\$729,643</u>	<u>\$3,672,431</u>	<u>\$4,402,074</u>

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$964,364
Miscellaneous	580
Total Operating Cash Receipts	964,944
Operating Cash Disbursements:	
Salaries	44,779
Employee Fringe Benefits	33,598
Purchased Services	1,039,639
Other	46,506
Total Operating Cash Disbursements	1,164,522
Operating (Loss)	(199,578)
Non-Operating Receipts:	
Special Assessments	260,150
Total Non-Operating Receipts	260,150
Net Change in Fund Cash Balances	60,572
Fund Cash Balance, January 1	243,360
Fund Cash Balance, December 31	\$303,932

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	155,001	5,815,261		5,970,262
Charges for Services		999,213		999,213
Licenses, Permits and Fees	323,218			323,218
Fines and Forfeitures	14,450			14,450
Intergovernmental	955,505	2,051,493	\$74,383	3,081,381
Special Assessments		239,104		239,104
Earnings on Investments	6,883	812		7,695
Miscellaneous	26,958	543,901		570,859
Total Cash Receipts	<u>1,482,015</u>	<u>9,649,784</u>	<u>74,383</u>	<u>11,206,182</u>
Cash Disbursements:				
Current:				
General Government	3,336,460			3,336,460
Public Safety		8,407,737		8,407,737
Public Works	10,000	2,209,058		2,219,058
Health	6,106			6,106
Conservation-Recreation	44,958			44,958
Other	28,314	1,683		29,997
Capital Outlay	42,802	293,150	82,776	418,728
Total Cash Disbursements	<u>3,468,640</u>	<u>10,911,628</u>	<u>82,776</u>	<u>14,463,044</u>
Excess of Receipts (Under) Disbursements	<u>(1,986,625)</u>	<u>(1,261,844)</u>	<u>(8,393)</u>	<u>(3,256,862)</u>
Other Financing Receipts (Disbursements):				
Advances In		452,193		452,193
Advances Out	(452,193)			(452,193)
Total Other Financing Receipts (Disbursements)	<u>(452,193)</u>	<u>452,193</u>		
Net Change in Fund Cash Balances	(2,438,818)	(809,651)	(8,393)	(3,256,862)
Fund Cash Balances, January 1 (Restated)	<u>4,054,241</u>	<u>5,032,212</u>	<u>8,393</u>	<u>9,094,846</u>
Fund Cash Balances, December 31:				
Restricted		4,185,124		4,185,124
Committed		37,437		37,437
Assigned	1,583,266			1,583,266
Unassigned (Deficit)	32,157			32,157
Fund Cash Balances, December 31	<u>\$1,615,423</u>	<u>\$4,222,561</u>	<u>\$0</u>	<u>\$5,837,984</u>

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

HARRISON TOWNSHIP
MONTGOMERY COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$880,174
Total Operating Cash Receipts	<u>880,174</u>
Operating Cash Disbursements:	
Salaries	44,096
Employee Fringe Benefits	32,532
Purchased Services	1,021,839
Other	38,117
Total Operating Cash Disbursements	<u>1,136,584</u>
Operating (Loss)	<u>(256,410)</u>
Non-Operating Receipts:	
Special Assessments	242,121
Total Non-Operating Receipts (Disbursements)	<u>242,121</u>
Net Change in Fund Cash Balances	(14,289)
Fund Cash Balance, January 1 (Restated)	<u>257,649</u>
Fund Cash Balance, December 31	<u><u>\$243,360</u></u>

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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, Montgomery County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, zoning, community development, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office for police protection.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA), who provides property and casualty coverages for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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:

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

Police Fund – This fund receives property tax money to provide police services to the Township.

Fire Fund – This fund receives property tax money and money for services rendered to provide fire-fighting and emergency medical services to the Township.

Tax Increment Financing Fund – This fund receives payments in lieu of taxes for the development of The Executive Commercial Park.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant Capital Project Fund:

OPWC Fund – The Township received a grant from the State of Ohio for resurfacing of the Ft. McKinley/Meadowdale plat area.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Township had the following significant Enterprise Fund:

Waste Disposal Fund – This fund receives waste fee receipts for garbage collection services provided to the residents of the Township.

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, department, and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 2014 and 2013 budgetary activity appears in Note 4.

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. Non-spendable

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 amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. RESTATEMENT OF FUND BALANCE

The Township restated beginning fund balances at January 1, 2013 to reflect a reclassification of the Waste Disposal Fund as an Enterprise Fund (Proprietary Fund Type) rather than a Special Revenue Fund (Governmental Fund Type). The restated fund balances were as follows:

	Special Revenue Fund	Enterprise Fund
Fund Balance at December 31, 2012	\$5,289,861	
Change in Fund Classification	(\$257,649)	\$257,649
Restated Fund Balance at January 1, 2013	\$5,032,212	\$257,649

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2014	2013
Demand deposits	\$723,683	\$1,009,111
Certificates of deposit	1,133,983	245,000
Cash on hand	150	150
Total deposits and cash on hand	1,857,816	1,254,261
Federal Home Loan Bank	300,000	2,997,250
Federal Farm Credit Bank	99,300	
STAR Ohio	718,503	1,339,833
Money Market Funds	1,730,387	490,000
Total investments	2,848,190	4,827,083
Total deposits, cash on hand, and investments	\$4,706,006	\$6,081,344

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,581,545	\$1,382,541	(\$199,004)
Special Revenue	9,595,528	10,829,535	1,234,007
Enterprise	1,100,000	1,225,094	125,094
Total	<u>\$12,277,073</u>	<u>\$13,437,170</u>	<u>\$1,160,097</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,164,811	\$2,268,321	\$896,490
Special Revenue	12,169,654	11,379,665	789,989
Capital Projects	249,626		249,626
Enterprise	1,157,025	1,164,522	(7,497)
Total	<u>\$16,741,116</u>	<u>\$14,812,508</u>	<u>\$1,928,608</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$919,348	\$1,482,015	\$562,667
Special Revenue	9,736,209	10,101,977	365,768
Capital Projects	74,383	74,383	
Enterprise	920,000	1,122,295	202,295
Total	<u>\$11,649,940</u>	<u>\$12,780,670</u>	<u>\$1,130,730</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,475,712	\$3,920,833	\$554,879
Special Revenue	11,958,610	10,911,628	1,046,982
Capital Projects	181,522	82,776	98,746
Enterprise	1,135,433	1,136,584	(1,151)
Total	<u>\$17,751,277</u>	<u>\$16,051,821</u>	<u>\$1,699,456</u>

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

6. RETIREMENT SYSTEMS

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 11.5% (from July 1, 2014 – December 31, 2014), 10.75% (from July 1, 2013 – June 30, 2014), and 10% (from January 1, 2013 – June 30, 2013) of their wages. For 2014 and 2013, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

A. Risk Pool Membership

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. (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.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. RISK MANAGEMENT (Continued)

B. 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, 2014, 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.

C. 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, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	<u>\$26,467,923</u>	<u>\$27,057,831</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$29,000.

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>Contributions to OTARMA</u>	
<u>2014</u>	<u>2013</u>
\$54,933	\$54,733

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.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. COMPLIANCE

The Township transferred \$813,786 from the Tax Increment Financing (TIF) Fund to the General Fund during 2014. This transfer was not allowable in accordance with Ohio Rev. Code Section 5705.14.



Dave Yost • Auditor of State

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

Harrison Township
Montgomery County
5945 North Dixie Drive
Dayton, Ohio 45414

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 Harrison Township, Montgomery County, (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 21, 2015, 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. We also noted the Township revised its financial presentation from that comparable to the requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*, to a format the Auditor of State prescribes or permits for the year ended December 31, 2013. Additionally, we noted the Township restated its beginning fund balances for 2013.

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.

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

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. 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. We consider findings 2014-002 and 2014-003 described in the accompanying schedule of findings 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-002.

Entity's Response to Findings

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.

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



Dave Yost
Auditor of State
Columbus, Ohio

September 21, 2015

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

NONCOMPLIANCE / FINDING FOR RECOVERY – REPAID WHILE UNDER AUDIT

According to the Township's Personnel Policy for the non-bargaining full-time and part-time personnel, approved by the Trustees on December 4, 2012, employees are eligible to receive severance for unused leave related to vacation leave and sick leave. Section 4.7-2 states that "unused personal days may not be cashed out on leaving employment with the Township".

On December 12, 2014, Randall Brooks, Township Administrator, received a severance payment upon separation of employment. The severance payment was based on unused sick leave, vacation leave, and personal leave balances at the time of separation. The portion of the payment related to unused sick leave and vacation leave recalculated properly and was in accordance with the Township's Personnel Policy. Additionally, this severance payment included 16 hours of unused personal leave at an hourly rate of \$65.30, totaling \$1,044.80. However, based on Section 4.7-2 of the Personnel Policy noted above, personal leave balances cannot be paid out when an employee leaves employment with the Township.

In accordance with the forgoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a finding for recovery for public money illegally expended is hereby issued against former Township Administrator, Randall Brooks, and in favor of the Township's general fund, in the amount of \$1,044.

On March 20, 2015, this finding for recovery was repaid in full to the Township via check number 2289. The receipt was recorded in the Township's accounting records on March 24, 2015 via receipt number 224816 to the Township's general fund.

Officials' Response: As stated, this was repaid in full.

FINDING NUMBER 2014-002

NONCOMPLIANCE / MATERIAL WEAKNESS

Ohio Revised Code Section 5705.14 states, in part, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as follows:

- (A) The unexpended balance in a bond fund that is no longer needed for the purpose for which such fund was created shall be transferred to the sinking fund or bond retirement fund from which such bonds are payable.
- (B) The unexpended balance in any specific permanent improvement fund, other than a bond fund, after the payment of all obligations incurred in the acquisition of such improvement, shall be transferred to the sinking fund or bond retirement fund of the subdivision; provided that if such money is not required to meet the obligations payable from such funds, it may be transferred to a special fund for the acquisition of permanent improvements, or, with the approval of the court of common pleas of the county in which such subdivision is located, to the general fund of the subdivision.

FINDING NUMBER 2014-002
(Continued)

- (C) (1) Except as provided in division (C)(2) of this section, the unexpended balance in the sinking fund or bond retirement fund of a subdivision, after all indebtedness, interest, and other obligations for the payment of which such fund exists have been paid and retired, shall be transferred, in the case of the sinking fund, to the bond retirement fund, and in the case of the bond retirement fund, to the sinking fund; provided that if such transfer is impossible by reason of the nonexistence of the fund to receive the transfer, such unexpended balance, with the approval of the court of common pleas of the county in which such division is located, may be transferred to any other fund of the subdivision.
- (2) Money in a bond fund or bond retirement fund of a city, local, exempted village, cooperative education, or joint vocational school district may be transferred to a specific permanent improvement fund provided that the county budget commission of the county in which the school district is located approves the transfer upon its determination that the money transferred will not be required to meet the obligations payable from the bond fund or bond retirement fund. In arriving at such a determination, the county budget commission shall consider the balance of the bond fund or bond retirement fund, the outstanding obligations payable from the fund, and the sources and timing of the fund's revenue.
- (D) The unexpended balance in any special fund, other than an improvement fund, existing in accordance with division (D), (F), or (G) of section 5705.09 or section 5705.12 of the Revised Code, may be transferred to the general fund or to the sinking fund or bond retirement fund after the termination of the activity, service, or other undertaking for which such special fund existed, but only after the payment of all obligations incurred and payable from such special fund.
- (E) Money may be transferred from the general fund to any other fund of the subdivision.

The Township transferred \$813,786 from the Tax Increment Financing (TIF) Fund to the General Fund during 2014. However, this transfer is deemed to be an illegal transfer because it did not meet one of the exceptions noted above. Additionally, the Township could not provide evidence to support that General Fund monies were utilized for the related TIF project expenditures at any point since the inception of the TIF project. The related TIF was still active and the Township received TIF payments from the County Auditor during April 2015. This illegal transfer resulted in an adjustment to the Township's 2014 financial statements. The Township's records were also adjusted to correct this error.

Failure to review the Ohio Revised Code prior to making a transfer that does not involve General Fund money could lead to illegal transfers, misstated fund balances, and audit adjustments.

The Township should take steps to comply with all aspects of the Ohio Revised Code prior to making a transfer of Township funds.

Officials' Response: The Township thought they had followed the Ohio Revised Code and had done things correctly in the TIF transfer. This is such an old TIF, which was established well before anyone currently on the Board was in office, that it was our belief that these monies had, in fact, been paid out of the general fund. The Township will correct this as required.

FINDING NUMBER 2014-003

MATERIAL WEAKNESS – FINANCIAL STATEMENT ERRORS

The Township's financial statements contained various errors. The Township lacked management oversight in the posting of financial activity and in the preparation of the financial statements as illustrated by the following issues:

- The Township failed to properly classify the Leave Reserve Fund balance as committed fund balance within the special revenue fund for 2013 or 2014. The total year-end fund balance for both years was \$37,437. This was originally classified incorrectly as restricted fund balance. The accompanying financial statements were adjusted for these errors.
- Auditor of State Bulletin 2011-004 states that when the appropriation measure is adopted for the subsequent fiscal year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This only relates to the General Fund. The Township failed to properly classify the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year for 2013 and 2014. The shortage of resources in the subsequent year resulted in reclassifications from unassigned fund balance to assigned fund balance in the General Fund in the amounts of \$1,583,266 and \$289,284 for 2013 and 2014, respectively. The accompanying financial statements have been adjusted for these errors.
- The Township's Waste Disposal Fund operated as a proprietary fund type enterprise fund; however, it was classified incorrectly on the financial statements for 2013 and 2014 as a governmental fund type special revenue fund. This resulted in 2013 and 2014 increases, respectively, to the Enterprise Fund revenues of \$1,122,295 and \$1,225,094, disbursements of \$1,136,584 and \$1,164,522 and beginning fund balance of \$257,649 and \$243,360. The Special Revenue Fund was overstated by the same amounts. The accompanying financial statements have been adjusted for these errors.
- The Township misclassified various revenues as miscellaneous revenue. In 2013 and 2014, \$218,548 and \$72,828, respectively, in the General Fund was recorded as miscellaneous revenue, but should have been recorded as intergovernmental revenue. In 2013, \$74,383 of Ohio Public Works Commission funds, which were reported in the Capital Projects Fund, were recorded as miscellaneous revenue, but should have been recorded as intergovernmental revenue. The accompanying financial statements have been adjusted for these errors, with the exception of the 2013 error related to the General Fund.

Failure to determine that all financial transactions are recorded correctly in the accounting system and correctly on the financial statements could lead to inconsistent and misleading financial statements.

The Township should develop procedures to verify that financial transactions are recorded correctly and consistently to the accounting system and financial statements. In addition, the Township should review Auditor of State Bulletin 2011-004 to determine and present the proper governmental fund balances in accordance with current guidelines.

Officials' Response: In following the bullet points as listed above, the Township will, in the future, classify the Leave Reserve Fund as committed, not restricted. The Township was not aware of Bulletin 2011-004 and feels that during the audit period (2013/2014) all fund balances never exceeded estimated receipts. The Township will try to correct this in the future. The Township will classify the Waste Disposal Fund as an enterprise fund in the future. Finally, the Township will correct the situation related to the misclassified revenues.

HARRISON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material Weakness - Financial statement reclassifications and adjustments needed for several funds/items.	No	Repeated as finding 2014-003



Dave Yost • Auditor of State

HARRISON TOWNSHIP

MONTGOMERY 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
NOVEMBER 5, 2015**