



Dave Yost • Auditor of State

HARRISON TOWNSHIP
PAULDING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2014	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Harrison Township
Paulding County
P.O. Box 103
Payne, Ohio 45880-0103

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Harrison Township, Paulding County, Ohio (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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in 1B 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles – (Continued)

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, 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 Harrison Township, Paulding County, Ohio 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 Note1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 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

October 14, 2015

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$54,862	\$69,817	\$124,679
Licenses, Permits and Fees	44	2,200	2,244
Intergovernmental	13,982	114,765	128,747
Earnings on Investments	399	169	568
Miscellaneous		715	715
<i>Total Cash Receipts</i>	69,287	187,666	256,953
Cash Disbursements			
Current:			
General Government	41,742		41,742
Public Safety		23,343	23,343
Public Works	3,288	63,143	66,431
Health		9,204	9,204
Capital Outlay	55,422	4,217	59,639
Debt Service:			
Principal Retirement	19,710		19,710
<i>Total Cash Disbursements</i>	120,162	99,907	220,069
<i>Excess of Receipts Over (Under) Disbursements</i>	(50,875)	87,759	36,884
Other Financing Receipts			
Other Financing Sources	56,422	1,868	58,290
<i>Net Change in Fund Cash Balances</i>	5,547	89,627	95,174
<i>Fund Cash Balances, January 1</i>	433,749	476,661	910,410
Fund Cash Balances, December 31			
Restricted		566,288	566,288
Assigned	230,404		230,404
Unassigned	208,892		208,892
<i>Fund Cash Balances, December 31</i>	\$439,296	\$566,288	\$1,005,584

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

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$48,994	\$55,365		\$104,359
Licenses, Permits and Fees	120	5,000		5,120
Special Assessments	3,902			3,902
Intergovernmental	46,621	102,217	\$60,511	209,349
Earnings on Investments	249	298		547
Miscellaneous	58	2,372		2,430
<i>Total Cash Receipts</i>	<u>99,944</u>	<u>165,252</u>	<u>60,511</u>	<u>325,707</u>
Cash Disbursements				
Current:				
General Government	58,221			58,221
Public Safety		27,022		27,022
Public Works		28,731		28,731
Health		11,874		11,874
Capital Outlay	20,000	61,045	60,511	141,556
<i>Total Cash Disbursements</i>	<u>78,221</u>	<u>128,672</u>	<u>\$60,511</u>	<u>267,404</u>
<i>Net Change in Fund Cash Balances</i>	21,723	36,580		58,303
<i>Fund Cash Balances, January 1</i>	<u>412,026</u>	<u>440,081</u>		<u>852,107</u>
Fund Cash Balances, December 31				
Restricted		476,661		476,661
Assigned	220,695			220,695
Unassigned	213,054			213,054
<i>Fund Cash Balances, December 31</i>	<u>\$433,749</u>	<u>\$476,661</u>		<u>\$910,410</u>

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

**HARRISON TOWNSHIP
PAULDING 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 the Harrison Township, Paulding County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Villages of Antwerp and Payne to provide fire protection and emergency medical services.

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

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. The Township values certificates of deposit 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**HARRISON TOWNSHIP
PAULDING 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.

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 motor vehicle registration money to pay for constructing, maintaining, and repairing Township roads.

Fire District Fund - This fund receives property tax money for providing fire protection.

3. Capital Project Fund

This fund accounts for and reports financial resources that are restricted 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:

Ohio Public Works Commission – The Township received a grant from the State of Ohio to resurface Township roads.

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 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.

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 3.

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

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

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

2. Equity in Pooled Deposits

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:

	2014	2013
Demand deposits	955,584	860,410
Certificate of deposit	50,000	50,000
Total deposits	\$1,005,584	\$910,410

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

3. 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	\$44,005	\$125,709	\$81,704
Special Revenue	156,802	189,534	32,732
Total	\$200,807	\$315,243	\$114,436

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$264,700	\$120,162	\$144,538
Special Revenue	470,900	99,907	370,993
Total	\$735,600	\$220,069	\$515,531

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,091	\$99,944	\$56,853
Special Revenue	165,381	165,252	(129)
Capital Projects		60,511	60,511
Total	\$208,472	\$325,707	\$117,235

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$264,653	\$78,221	\$186,432
Special Revenue	469,759	128,672	341,087
Capital Projects	60,511	60,511	
Total	\$794,923	\$267,404	\$527,519

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

3. Budgetary Activity – (Continued)

Contrary to Ohio law, the Township did not record Ohio Public Works Commission (OPWC) money spent on behalf of the Township in 2013, did not post appropriations for this activity and the appropriations exceeded estimated resources for the OPWC Fund.

In addition, contrary to Ohio law, receipts were not posted to the correct funds.

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization 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.

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Capital Lease	\$36,137	6.00%

The Township financed a lease of a dump truck in 2014. The Township will pay the lease in annual installments of \$19,710, including interest, over 3 years.

Amortization of the above lease is scheduled as follows:

	Capital Lease	
	Principal	Interest
2015	17,542	2,168
2016	18,595	1,116
Totals	\$36,137	\$3,284

6. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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.

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

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. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 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.

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	\$26,467,923	\$27,057,831

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 \$2,000.

**HARRISON TOWNSHIP
PAULDING COUNTY**

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

7. Risk Management – (Continued)

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>2013</u>	<u>2014</u>
\$3,953	\$3,950

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.

8. Compliance

Contrary to Internal Revenue Code Chapter 26, the Township did not timely remit the four quarters of withholdings in 2014. In addition, they did not remit the 941 forms for the third and fourth quarters of 2013.

9. Subsequent Events

On September 14, 2015, trustees approved a contract for road repairs to Gerken Paving, which was bid out by the Paulding County Commissioners, in the amount of \$64,553.36. Gas Tax monies will we used to pay this contract when completed.

This page intentionally left blank



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
Paulding County
P.O. Box 103
Payne, Ohio 45880-0103

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, Paulding County, Ohio (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 October 14, 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.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

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 2014-001 through 2014-003 and 2014-005 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 2014-003 through 2014-005.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 14, 2015

**HARRISON TOWNSHIP
PAULDING 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

Material Weakness

Monitoring of Financial Statements

The Township did not have procedures in place for review of transactions posted to the accounting records or the reporting of those transactions in the financial statements. There was no evidence the Trustees reviewed detail revenue, disbursement ledgers, budgetary activity, fund balance reports or bank reconciliations on a regular basis. In addition, GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources

Accurate financial reporting is the responsibility of the Fiscal Officer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Township's activity.

The Township lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- The General Fund balance at December 31, 2014 and 2013 was included with the following year's appropriation, meaning the fund balance should have been classified as assigned fund balance instead of unassigned fund balance in the amount of \$230,404 and \$220,695, respectfully.
- The special revenue fund balance at December 31, 2013 should have been classified as restricted fund balance instead of unassigned fund balance in the amount of \$476,661.
- Debt payment of \$19,710 in 2014 in the General Fund was posted to capital outlay instead of principal retirement.
- Initial lease of \$55,422 was not booked to the financial statements in the General Fund as other financing sources and capital outlay in 2014,

The accompanying financial statements have been adjusted to correct these and other errors ranging up to \$476,661.

In order to ensure the financial activity of the Township is being properly accounted for and reported, we recommend the Trustees review detail revenue and disbursement ledgers, budgetary activity, fund balance reports and bank reconciliations on a frequent basis. The documents should be reviewed, initialed and approved in the minutes. This information provides important data necessary to manage the Township. We also recommend that the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual and GASB 54. Furthermore, the Trustees should adopt policies and procedures including a final review of the financial statements by the Fiscal Officer and Trustees to help ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2014-002

Material Weakness

Budgeted Receipts Posted

The Fiscal Officer did not always post budgeted receipts as listed on the Certificate of Estimated Resources. Failure to post correct budget amounts could inhibit the Township's ability to monitor revenue activity. We noted differences between amounts per the certificate of estimated resources and the posted amounts in the following funds:

Fund	Estimated Receipts	Posted Budgeted Receipts	Variance
As of December 31, 2014:			
General Fund	\$44,005	\$19,809	(\$24,198)
Special Revenue Funds: Special Levy Fund		24,198	24,198

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

As a result, the Township's notes to the financial statements did not correctly reflect the amounts on the certificate of estimated resources. The accompanying notes to the financial statements have been adjusted to correct these errors.

The Township should develop policies and implement procedures to assure that all budgeted receipts posted agree to the certificate of estimated resources.

FINDING NUMBER 2014-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Furthermore, the aforementioned section requires all revenue derived from a source other than general property tax which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

In addition, Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purposes for which such fund has been established.

- The February 2013 homestead and rollback payment of \$3,516 was improperly posted to the General Fund when it should have been posted to the following funds: \$1,380 to Road and Bridge Fund, \$276 to Cemetery Fund, and \$1,860 to the Fire Fund.
- The February 2014 homestead and rollback payment of \$4,278 was improperly posted to the General Fund when it should have been posted to the following funds: \$1,845 to Road and Bridge Fund, \$369 to Cemetery Fund, and \$2,064 to the Fire Fund.
- During the transition of December 31, 2013 manual records to Uniform Accounting Network, January 1, 2014, \$134,689 was moved from the General Fund to a newly established Special Levy Fund with no explanation. In addition, \$21,431 of taxes and \$3,276 of public works expenses was improperly posted to this fund when it should have been posted to the General Fund.

**FINDING NUMBER 2014-003
(Continued)**

- During the transition of December 31, 2013 manual records to Uniform Accounting Network, January 1, 2014, \$20,511 was moved from the General Fund to the Road and Bridge Fund with no explanation.

The lack of a policy regarding financial review contributed to the above errors occurring without detection. The accounting records and financial statements were adjusted to correct these misstatements.

Improper posting of revenues could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly posted in the accounting ledgers so that the Trustees can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process Township Trustees should review financial records to make sure that amounts are reflected in the appropriate funds and that there are sufficient funds to pay obligations.

FINDING NUMBER 2014-004

Noncompliance Citation

Internal Revenue Code Chapter 26 describes procedures for withholding and remitting Federal Tax, Medicare and Social Security for employees. Medicare is required to be withheld from wages of employees hired on or after April 1, 1986.

The Township did not remit a total of \$6,148 of the federal tax, Medicare and Social Security withholdings and employer share for the four quarters in 2014 to the Internal Revenue Service (IRS) until 2015.

In addition, the Fiscal Officer remitted \$2,401 of Federal Tax, Medicare and Social Security for the third and fourth quarters of 2013, but did not remit the 941 forms to the IRS supporting these payments,

We recommend the Township properly withhold and remit federal tax and Medicare withholdings for all qualifying employees. In addition, Township Trustees should periodically review payroll transactions to help ensure federal taxes, social security and Medicare are withheld and remitted timely.

This matter will be referred to the Internal Revenue Service for any action they deem necessary.

FINDING NUMBER 2014-005

Noncompliance Citation and Material Weakness

Recording and Budgeting On Behalf Grants

Sound accounting practices require money spent on behalf of the Township by other governments be posted to the Township's ledgers. Furthermore, **Ohio Rev. Code § 5705.42** deems the funds appropriated, eliminating the need for the Township to approve a formal appropriation for these monies, however, this section does require the Township to record the appropriation. In addition, **Ohio Rev. Code § 5705.42** provides that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditures therefrom, as certified by the budget commission.

In 2013 the Township was the beneficiary of \$60,511, of Ohio Public Works Commission (OPWC) money sent directly to the vendor. The Fiscal Officer did not record this activity in the accounting system in 2013. In addition, appropriations for this activity were not recorded in 2013. Since the Township is required to record the appropriation they should also request the amount be included on the certificate of estimated resources received from the county budget commission to enhance the Township's monitoring of financial activity.

FINDING NUMBER 2014-005
(Continued)

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring, resulting in the understatement of the intergovernmental revenues, capital outlay, and appropriations, and in appropriations exceeding estimating resources by \$60,511 in the OPWC Capital Projects Fund. The accompanying financial statements and notes to the financial statements were adjusted to reflect the correct amounts in the Capital Projects Fund.

We recommend the Township record the appropriation on the appropriations ledger and request the amount be included on the certificate of estimated resources to account for the appropriations for the OPWC funds.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



Dave Yost • Auditor of State

HARRISON TOWNSHIP

PAULDING 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**