



OHIO AUDITOR OF STATE
KEITH FABER



**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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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 of the cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Montgomery County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Harrison Township, Montgomery County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 to the December 31, 2017 financial statements, the January 1, 2017 balances were restated. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2019

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$1,238,536	\$8,112,758		\$9,351,294
Charges for Services		1,122,786		1,122,786
Licenses, Permits and Fees	16,014			16,014
Fines and Forfeitures	10,582			10,582
Intergovernmental	474,334	1,930,484	\$45,498	2,450,316
Special Assessments		238,794		238,794
Earnings on Investments	102,611	22,731		125,342
Miscellaneous	54,878	124,540		179,418
<i>Total Cash Receipts</i>	<u>1,896,955</u>	<u>11,552,093</u>	<u>45,498</u>	<u>13,494,546</u>
Cash Disbursements				
Current:				
General Government	1,410,357	3,120		1,413,477
Public Safety		9,002,469		9,002,469
Public Works	60,826	1,817,406		1,878,232
Health	21,209			21,209
Conservation-Recreation	73,062			73,062
Other	20,599	558		21,157
Capital Outlay	65,476	131,150	32,296	228,922
Debt Service:				
Principal Retirement		111,001		111,001
Interest and Fiscal Charges		15,475		15,475
<i>Total Cash Disbursements</i>	<u>1,651,529</u>	<u>11,081,179</u>	<u>32,296</u>	<u>12,765,004</u>
<i>Excess of Receipts Over Disbursements</i>	<u>245,426</u>	<u>470,914</u>	<u>13,202</u>	<u>729,542</u>
Other Financing Receipts (Disbursements)				
Transfers In		646,721		646,721
Transfers Out	(646,721)			(646,721)
Advances In	677,321	44,143		721,464
Advances Out	(44,143)	(646,721)	(30,600)	(721,464)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(13,543)</u>	<u>44,143</u>	<u>(30,600)</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>231,883</u>	<u>515,057</u>	<u>(17,398)</u>	<u>729,542</u>
<i>Fund Cash Balances, January 1</i>	<u>2,737,614</u>	<u>2,442,929</u>	<u>17,398</u>	<u>5,197,941</u>
Fund Cash Balances, December 31				
Nonspendable	359			359
Restricted		2,794,939		2,794,939
Committed		163,047		163,047
Assigned	65,999			65,999
Unassigned	2,903,139			2,903,139
<i>Fund Cash Balances, December 31</i>	<u>\$2,969,497</u>	<u>\$2,957,986</u>	<u>\$0</u>	<u>\$5,927,483</u>

See accompanying notes to the basic financial statements

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$1,037,028		\$1,037,028
Miscellaneous	3,467	\$49,261	52,728
<i>Total Operating Cash Receipts</i>	<u>1,040,495</u>	<u>49,261</u>	<u>1,089,756</u>
Operating Cash Disbursements			
Salaries	65,766		65,766
Employee Fringe Benefits	24,331		24,331
Purchased Services	1,113,496	35,728	1,149,224
<i>Total Operating Cash Disbursements</i>	<u>1,203,593</u>	<u>35,728</u>	<u>1,239,321</u>
<i>Operating Income (Loss)</i>	<u>(163,098)</u>	<u>13,533</u>	<u>(149,565)</u>
Non-Operating Receipts			
Special Assessments	263,733		263,733
<i>Total Non-Operating Receipts</i>	<u>263,733</u>	<u>0</u>	<u>263,733</u>
<i>Net Change in Fund Cash Balance</i>	100,635	13,533	114,168
<i>Fund Cash Balance, January 1</i>	<u>816,162</u>	<u>27,789</u>	<u>843,951</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$916,797</u></u>	<u><u>\$41,322</u></u>	<u><u>\$958,119</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, zoning, community development, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff’s Office for police protection

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund: The road and bridge fund accounts for and reports all disbursements restricted or committed to roads, including improvements, paving, snow removal, salt and gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment and maintenance. This fund is also used for construction of new and future facilities.

Police Fund: The police fund accounts for and reports proceeds from property taxes restricted for police department operations and protection services.

Fire District Fund: The fire fund accounts for and reports proceeds from property taxes restricted for the fire department and life squad protection and emergency services.

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

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 Capital Projects Fund – The Ohio Public Works Commission capital projects fund reports grants received from the Ohio Public Works Commission. The proceeds are restricted for capital improvement.

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:

Garbage and Waste Disposal Fund: The garbage and waste disposal fund accounts for and reports charges restricted to garbage and waste collection, as well as payment to a private trash removal service.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for monies received from insurance companies and reimburses residents when their buildings are fixed.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually (except certain agency funds).

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department or 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.

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.

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

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 2018 budgetary activity appears in Note 4.

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 are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Ohio Public Works Commission funds by \$381,515 and \$18,378, respectively. Additionally, contrary to Ohio law, appropriation authority exceeded estimated resources in the Grants fund by \$39,560.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,871,886	\$1,896,955	\$25,069
Special Revenue	12,476,169	12,198,814	(277,355)
Capital Projects	45,499	45,498	(1)
Enterprise	1,251,300	1,304,228	52,928
Total	\$15,644,854	\$15,445,495	(\$199,359)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,916,735	\$2,298,250	(\$381,515)
Special Revenue	11,496,610	11,081,179	415,431
Capital Projects	13,918	32,296	(18,378)
Enterprise	1,221,855	1,203,593	18,262
Total	\$14,649,118	\$14,615,318	\$33,800

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

Note 5 – 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:

	2018
Demand deposits	\$778,284
Certificates of deposit	2,074,787
Cash on Hand	150
Total deposits	2,853,221
STAR Ohio	4,017,150
Money Market Fund	15,231
Total investments	4,032,381
Total deposits and investments	\$6,885,602

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Note 7 - Interfund Balances

Outstanding advances at December 31, 2018, consisted of advances made from the General Fund to the Grant Special Revenue Fund in the amounts of \$52,703 to provide working capital for operations or projects.

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

Note 8 - Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

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

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

	2018
Cash and Investments	\$33,097,416
Actuarial liabilities	\$7,874,610

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Several 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. 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, 2018.

Ohio Police and Fire Retirement System

All of the Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018.

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

Social Security

Some of the Township’s employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 10 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 11 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Medics Lease	\$ 228,164	2.36%
Police Cruisers Lease	69,470	5.45%
Tractor Lease	57,921	4.50%
Total	<u>\$ 355,555</u>	

Leases

The Township leases two EMS vehicles under a noncancelable lease. The Township also leases four Police Cruisers and a Utility Mower with side & rear flails. Scheduled payments were made on all leases during 2018.

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

Amortization

Amortization of the above leases, including interest, is scheduled as follows:

Year ending December 31:	Medics Lease	Police Cruisers Lease	Tractor Lease
2019	79,687	25,725	21,107
2020	79,688	25,726	21,107
2021	79,687	25,726	21,107
Total	<u>\$239,062</u>	<u>\$77,177</u>	<u>\$63,321</u>

Note 12 – Construction and Contractual Commitments

The Township had one significant construction or other contractual agreement which was completed in 2018 and final payment made in 2019.

	OPWC Funds	Township Funds	CDBG Funds	Year
South Shiloh	\$416,993	\$79,902	\$24,346	2018

Note 13 – Subsequent Event

The Township was directly in the path of a major tornado outbreak in May 2019, which caused extensive damage within the Township. As a result, the Township had increased disbursements during 2019 related to the damage in an amount estimated at \$4.5 million. Additionally, the Township anticipates increased receipts through FEMA funding during 2019 for up to 75% of disbursements related to the damage. Furthermore, Montgomery County has allowed for a reduction in property taxes for eligible properties impacted by the tornadoes, which will result in a decrease in property tax receipts for the Township. At this time, the amount of overall effect for the Township on the items noted above is not known, but is expected to be significant.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,288,304	\$8,690,975		\$9,979,279
Charges for Services		1,237,930		1,237,930
Licenses, Permits and Fees	18,346			18,346
Fines and Forfeitures	10,776			10,776
Intergovernmental	289,753	1,401,610	\$728,654	2,420,017
Special Assessments		245,683		245,683
Earnings on Investments	54,656	18,157		72,813
Miscellaneous	40,276	152,277		192,553
<i>Total Cash Receipts</i>	<u>1,702,111</u>	<u>11,746,632</u>	<u>728,654</u>	<u>14,177,397</u>
Cash Disbursements				
Current:				
General Government	1,327,068	3,185		1,330,253
Public Safety		8,784,729		8,784,729
Public Works	131,664	1,647,265		1,778,929
Health	20,420			20,420
Conservation-Recreation	42,824			42,824
Other	27,530	5,582		33,112
Capital Outlay	16,640	886,461	711,256	1,614,357
Debt Service:				
Principal Retirement		122,506		122,506
Interest and Fiscal Charges		3,970		3,970
<i>Total Cash Disbursements</i>	<u>1,566,146</u>	<u>11,453,698</u>	<u>711,256</u>	<u>13,731,100</u>
<i>Excess of Receipts Over Disbursements</i>	<u>135,965</u>	<u>292,934</u>	<u>17,398</u>	<u>446,297</u>
Other Financing Receipts (Disbursements)				
Advances In	18,750	8,560		27,310
Advances Out	(8,560)	(18,750)		(27,310)
Proceeds of Lease		589,063		589,063
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,190</u>	<u>578,873</u>	<u>0</u>	<u>589,063</u>
<i>Net Change in Fund Cash Balances</i>	<u>146,155</u>	<u>871,807</u>	<u>17,398</u>	<u>1,035,360</u>
<i>Fund Cash Balances, January 1. Restated</i>	<u>2,591,459</u>	<u>1,571,122</u>	<u>0</u>	<u>4,162,581</u>
Fund Cash Balances, December 31				
Restricted		2,386,116	17,398	2,403,514
Committed		56,813		56,813
Assigned	44,899			44,899
Unassigned	2,692,715			2,692,715
<i>Fund Cash Balances, December 31</i>	<u>\$2,737,614</u>	<u>\$2,442,929</u>	<u>\$17,398</u>	<u>\$5,197,941</u>

See accompanying notes to the basic financial statements

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts			
Charges for Services	\$1,033,527		\$1,033,527
Miscellaneous	1,543	\$14,493	16,036
<i>Total Operating Cash Receipts</i>	<u>1,035,070</u>	<u>14,493</u>	<u>1,049,563</u>
Operating Cash Disbursements			
Salaries	47,286		47,286
Employee Fringe Benefits	31,022		31,022
Purchased Services	1,024,614	67,007	1,091,621
<i>Total Operating Cash Disbursements</i>	<u>1,102,922</u>	<u>67,007</u>	<u>1,169,929</u>
<i>Operating Loss</i>	<u>(67,852)</u>	<u>(52,514)</u>	<u>(120,366)</u>
Non-Operating Receipts			
Special Assessments	277,729		277,729
<i>Total Non-Operating Receipts</i>	<u>277,729</u>	<u>0</u>	<u>277,729</u>
<i>Net Change in Fund Cash Balance</i>	209,877	(52,514)	157,363
<i>Fund Cash Balance, January 1, Restated</i>	<u>606,285</u>	<u>80,303</u>	<u>686,588</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$816,162</u></u>	<u><u>\$27,789</u></u>	<u><u>\$843,951</u></u>

See accompanying notes to the basic financial statements

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, zoning, community development, fire protection and emergency medical services. The Township contracts with the Montgomery County Sheriff’s Office for police protection

Public Entity Risk Pool

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund: The road and bridge fund accounts for and reports all disbursements restricted or committed to roads, including improvements, paving, snow removal, salt and gravel, blacktop, maintenance, payroll, supplies, purchases, fuel, vehicle equipment and maintenance. This fund is also used for construction of new and future facilities.

Police Fund: The police fund accounts for and reports proceeds from property taxes restricted for police department operations and protection services.

Fire District Fund: The fire fund accounts for and reports proceeds from property taxes restricted for the fire department and life squad protection and emergency services.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 Capital Projects Fund – The Ohio Public Works Commission capital projects fund reports grants received from the Ohio Public Works Commission. The proceeds are restricted for capital improvement.

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:

Garbage and Waste Disposal Fund: The garbage and waste disposal fund accounts for and reports charges restricted to garbage and waste collection, as well as payment to a private trash removal service.

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for monies received from insurance companies and reimburses residents when their buildings are fixed.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, department or 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.

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.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 2017 budgetary activity appears in Note 3.

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 are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,735,445	\$1,720,861	(\$14,584)
Special Revenue	11,829,188	12,344,255	515,067
Capital Projects	711,257	728,654	17,397
Enterprise	1,233,122	1,312,799	79,677
Total	\$15,509,012	\$16,106,569	\$597,557

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,932,370	\$1,574,706	\$357,664
Special Revenue	11,329,145	11,472,448	(143,303)
Capital Projects	778,556	711,256	67,300
Enterprise	1,245,465	1,102,922	142,543
Total	\$15,285,536	\$14,861,332	\$424,204

Note 4 – Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand deposits	\$989,949
Certificates of deposit	2,020,549
Cash on Hand	150
Total deposits	3,010,648
STAR Ohio	3,005,347
Money Market Fund	25,897
Total investments	3,031,244
Total deposits and investments	\$6,041,892

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by the financial institution’s public entity deposit pool; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable 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.

Note 6 - Interfund Balances

Outstanding advances at December 31, 2017, consisted of advances made from the General Fund to the Fire, Grant, and Police Special Revenue Funds in the amounts of \$374,194, \$12,560, and \$268,527, respectively, and to the OPWC Capital Projects Fund in the amount of \$30,600 to provide working capital for operations or projects.

Note 7 - Risk Management

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

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

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

	<u>2017</u>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$27,000.

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.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

<u>2017 Contributions to OTARMA</u>
\$60,916

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Several 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. 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, 2017.

Ohio Police and Fire Retirement System

All of the Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2017.

Social Security

Some of the Township's employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributed 1 percent of the employer contribution to fund these benefits during calendar year 2017, and OP&F contributed 0.5 percent to fund these benefits during calendar year 2017.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Medics Lease	\$ 300,725	2.36%
Police Cruisers Lease	90,276	5.45%
Tractor Lease	75,556	4.50%
Total	\$ 466,557	

Leases

The Township leases two EMS vehicles under a noncancelable lease. During 2017, the Township also entered into lease agreements for four Police Cruisers and a Utility Mower with side & rear flails. Scheduled payments were made on all leases during 2017.

Amortization

Amortization of the above leases, including interest, is scheduled as follows:

Year ending	Medics Lease	Police Cruisers Lease	Tractor Lease
December 31:			
2018	79,688	25,725	21,107
2019	79,687	25,725	21,107
2020	79,688	25,726	21,107
2021	79,687	25,726	21,107
Total	\$318,750	\$102,902	\$84,428

Note 11 – Construction and Contractual Commitments

The Township had one significant construction or other contractual agreement during 2017.

	OPWC Funds	Township Funds	Year
South Shiloh	\$459,793	\$91,843	2018

This project was completed in 2018.

Note 12 – Noncompliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire District and Permissive Motor Vehicle License funds by \$291,872 and \$87,552, respectively. Additionally, contrary to Ohio law, appropriation authority exceeded estimated resources in the Fire District, Grants, and Ohio Public Works Commission funds by \$138,705, \$18,750, and \$97,899, respectively.

Harrison Township
Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 13 – Restatement of Fund Balance

In the prior audit report, the Township reported revenue received by insurance companies and held by the Township until repairs were completed by Township residents within the General fund. As of January 1, 2017 this activity was reclassified to an agency fund as required by Ohio Rev. Code 3929.86.

This had the following effect on the financial statements:

	<u>General Fund</u>	<u>Agency Fund</u>
Fund Cash Balances, December 31, 2016	\$ 2,671,762	\$ -
Restatement	(80,303)	80,303
Fund Cash Balances, December 31, 2016	<u>\$ 2,591,459</u>	<u>\$ 80,303</u>

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OHIO AUDITOR OF STATE KEITH FABER



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

Harrison Township
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 the cash balances, receipts, and disbursements by fund type of Harrison Township, Montgomery County, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated December 10, 2019 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 restated the January 1, 2017 fund balances.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-003 and 2018-004.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 10, 2019

HARRISON TOWNSHIP
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness – Financial Statement Errors

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Due to lack of controls over the review of the financial statements, the Harrison Township's (the Township) financial statements contained the following errors which were identified as material and resulted in audit adjustments which are reflected in the accompanying financial statements and have been adjusted in the Township's accounting system:

- During 2018 and 2017, the Township improperly classified cable franchise fees as licenses, permits, and fees receipts. As a result, licenses, permits, and fees receipts were overstated and property and other local taxes were understated by \$228,187 and \$223,073 in 2018 and 2017, respectively, in the General fund.
- **Ohio Rev. Code § 3929.86 (D)** states, in part, upon receipt of proceeds by the township as authorized by this section, the designated officer shall place the proceeds in a separate fund to be used solely as security against the total cost of removing, repairing, or securing incurred by the township pursuant to section 715.261 or 505.86 of the Revised Code. The Township improperly reported activity related to the duties described in Ohio Rev. Code § 3929.86 in the General fund rather than an Agency fund. As a result:
 - General Fund 2018: Fund cash balance, January 1; miscellaneous receipts; general government disbursements; and fund cash balance, December 31 were overstated by \$27,789, \$49,261, \$35,728, and \$41,322 in the General fund in 2018.
 - Agency Fund 2018: Fund cash balance, January 1; miscellaneous operating receipts; operating disbursements: purchased services; and fund cash balance, December 31 were understated by \$27,789, \$49,261, \$35,728, and \$41,322 in the Agency fund in 2018.
 - General Fund 2017: Fund cash balance, January 1; miscellaneous receipts; general government disbursements; and fund cash balance, December 31 were overstated by \$80,303, \$14,493, \$67,007, and \$27,789 in the General fund in 2017.
 - Agency Fund 2017: Fund cash balance, January 1; miscellaneous operating receipts; operating disbursements: purchased services; and fund cash balance, December 31 were understated by \$80,303, \$14,493, \$67,007, and \$27,789 in the Agency fund in 2017.
- **Auditor of State Bulletin 2011-004** states, in part, when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund as it is the only fund with a positive unassigned fund balance. The Township did not properly calculate the amount by which appropriations exceeded estimated receipts for the subsequent fiscal year in 2018 or 2017. As a result, assigned balance was understated and unassigned balance was overstated by \$65,999 in the General fund in 2018 and assigned balance was overstated and unassigned balance was understated by \$136,868 in the General fund in 2017.
- During 2018, the Township improperly classified a special assessment receipt as earnings on investments. As a result, special assessments were understated and earnings on investments were overstated by \$263,733 in the Waste (Enterprise) fund.
- During 2018, the Township improperly posted one advance as a transfer in the financial statements. As a result, transfers out were overstated and advances out were understated by \$44,143 in the General fund.

FINDING NUMBER 2018-001
(Continued)

- During 2018, the Township improperly reported its unclaimed monies fund as an Agency fund in the financial statements. As a result, miscellaneous receipts and cash balance, December 31 were overstated by \$359 in the Agency fund and understated by the same amount in the General fund.
- During 2018, the Township did not separately report debt service: principal and interest payments on the financial statements. As a result, debt service: principal retirement was understated by \$20,805, \$72,561, and \$17,635 in the Police, Fire, and Motor Vehicle (Special Revenue) funds, respectively. Debt service: interest and fiscal charges was understated by \$4,920, \$7,083, and \$3,472 in the Police, Fire, and Motor Vehicle (Special Revenue) funds, respectively. Further, public safety disbursements were overstated by \$25,725 and \$79,644 in the Police and Fire (Special Revenue) funds, respectively, and public works expenditures were overstated by \$21,107 in the Motor Vehicle (Special Revenue) fund.
- During 2017, the Township understated proceeds of lease and related capital outlay disbursements. Further, the Township misclassified capital outlay disbursements related to proceeds of lease as other financing uses rather than cash disbursements. As a result, cash disbursements: capital outlay was understated by \$116,001, \$96,663, and \$376,399 in the Police, Motor Vehicle, and Fire District (Special Revenue) funds, respectively. Additionally, other financing sources: proceeds of lease was understated by \$116,001 and \$6,601 in the Police and Motor Vehicle (Special Revenue) funds, respectively, and other financing uses: capital outlay was overstated by \$90,062 and \$376,399 in the Motor Vehicle and Fire (Special Revenue) funds, respectively.
- During 2017, the Township improperly posted two motor vehicle license tax receipts to the General fund as property and other local taxes. As a result, property and other local taxes and cash were overstated by \$5,455 in the General fund and intergovernmental receipts and cash were understated by \$5,455 in the Motor Vehicle (Special Revenue) fund.
- During 2017, the Township did not separately report debt service: principal and interest payments on the financial statements. As a result, debt service: principal retirement was understated by \$25,725, \$75,674, and \$21,107 in the Police, Fire, and Motor Vehicle (Special Revenue) funds, respectively, and debt service: interest and fiscal charges was understated by \$3,970 in the Fire (Special Revenue) fund. Further, public safety disbursements were overstated by \$25,725 and \$79,644 in the Police and Fire (Special Revenue) funds, respectively, and public works expenditures were overstated by \$21,107 in the Motor Vehicle (Special Revenue) fund.
- During 2017, the Township improperly posted special assessments related to waste to the Lighting fund. As a result, special assessment receipts and cash were overstated by \$81,358 in the Lighting (Special Revenue) fund and special assessment receipts and cash were understated by \$81,358 in the Waste (Enterprise) fund.

Policies and procedures should be developed and implemented by the Township to verify that all receipts and disbursements are posted in the proper fund and account. The Township should review postings each month and again at the end of the fiscal year to verify that all amounts are classified and posted correctly. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Officials' Response:

During 2017 / 2018 the Township implemented a new accounting system which was a major project. We strive to provide accurate reporting and procedures have been put in place to correct these issues.

FINDING NUMBER 2018-002

Material Weakness – Budgetary Information in the Accounting System

The Township annually received an Official Certificate of Estimated Resources from the Montgomery County Budget Commission and approved annual appropriation measures. The amount of estimated receipts from the certificate and the approved appropriations for each fund should be entered into the accounting system, which enables the Township to monitor budgetary compliance with the approved budgeted amounts throughout the year.

Due to lack of controls over the budgetary process, the amounts entered into the accounting system as estimated receipts for 2018 and 2017 did not agree to the Official and Amended Certificate as received from the County Budget Commission and the amounts entered into the accounting system as appropriations for 2018 and 2017 did not agree to the approved appropriation measures as follows:

For the Year Ended December 31, 2018			
	Final Certificate of Estimated Resources	Accounting System	Variance
General Fund	\$ 1,871,886	\$ 2,545,034	\$ (673,148)
Total All Funds	15,644,854	16,106,041	(461,187)

For the Year Ended December 31, 2017			
	Final Certificate of Estimated Resources	Accounting System	Variance
General Fund	\$ 1,735,445	\$ 1,861,718	\$ (126,273)
Total All Funds	15,509,012	15,752,478	(243,466)

For the Year Ended December 31, 2018			
	Approved Appropriations	Accounting System	Variance
General Fund	\$ 1,916,735	\$ 2,573,553	\$ (656,818)
Road and Bridge Fund	1,222,635	1,236,541	(13,906)
Waste Disposal Fund	1,221,855	1,222,443	(588)
Police District Fund	5,709,822	5,710,608	(786)
Fire District Fund	3,738,278	3,801,332	(63,054)
OPWC Fund	13,918	36,534	(22,616)
Total All Funds	14,649,118	15,407,157	(758,039)

For the Year Ended December 31, 2017			
	Approved Appropriations	Accounting System	Variance
General Fund	\$ 1,932,370	\$ 1,917,877	\$ 14,493
Fire District Fund	3,789,712	3,776,923	12,789
OPWC Fund	778,556	711,257	67,299
Total All Funds	15,285,536	15,190,955	94,581

**FINDING NUMBER 2018-002
 (Continued)**

The amounts entered as estimated receipts and appropriations in the accounting system should agree to the Official Certified Receipts and approved appropriation measures at any given time. Inaccuracy of the data entered into the accounting system limits the reliability of controls that the budgetary reports provide to the Township management. Procedures should be implemented to verify that information entered into the accounting system agrees to legislatively approved amounts at any given point during the period. The Township should use due care to accurately post the approved amounts to the accounting system

Officials' Response:

During 2017 / 2018 the Township implemented a new accounting system which was a major project. We strive to provide accurate reporting and procedures have been put in place to correct these issues.

FINDING NUMBER 2018-003

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Rev. Code § 5705.39 states, in part, total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in the case of appeal, by the board of tax appeals.

Due to lack of controls over the budgetary process, the following funds had appropriations in excess of total certified estimated resources.

For the Year Ended December 31, 2018			
	<u>Final Certificate of Estimated Resources</u>	<u>Approved Appropriations</u>	<u>Variance</u>
Grants Fund	\$ 294,295	\$ 333,855	\$ (39,560)

For the Year Ended December 31, 2017			
	<u>Final Certificate of Estimated Resources</u>	<u>Approved Appropriations</u>	<u>Variance</u>
Fire District Fund	\$ 3,651,007	\$ 3,789,712	\$ (138,705)
Grants Fund	66,753	85,503	(18,750)
OPWC Fund	680,657	778,556	(97,899)

The Township should develop and implement procedures to verify that estimated resources are sufficient to cover appropriations at the time of certification or amendment. Appropriations in excess of estimated resources available could result in the Township expending more money than it receives and could cause possible negative fund balances

Officials' Response:

During 2017 / 2018 the Township implemented a new accounting system which was a major project. We strive to provide accurate reporting and procedures have been put in place to correct these issues.

FINDING NUMBER 2018-004

Noncompliance – Budgetary Expenditures in Excess of Appropriations

Ohio Rev. Code § 5705.41(B) states, in part, no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. **Ohio Rev. Code § 5705.40** states, in part, any appropriation measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation and that no appropriation may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation.

Due to lack of controls over the budgetary process, the following funds had budgetary expenditures in excess of appropriations:

For the Year Ended December 31, 2018			
	Budgetary Expenditures	Approved Appropriations	Variance
General Fund	\$ 2,298,250	\$ 1,916,735	\$ (381,515)
OPWC Fund	32,296	13,918	(18,378)

As a result of audit adjustments applied, subsequent noncompliance occurred in the following funds:

For the Year Ended December 31, 2017			
	Budgetary Expenditures	Approved Appropriations	Variance
Fire District Fund	\$ 4,081,584	\$ 3,789,712	\$ (291,872)
Permissive Motor Vehicle License Fund	316,893	229,341	(87,552)

Prior to the application of audit adjustments, the Township was in compliance with these Revised Code sections for the year ended December 31, 2017.

The Township should develop and implement procedures to monitor its budgetary expenditures and verify they do not exceed approved appropriations. Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources and result in deficit spending.

Officials' Response:

During 2017 / 2018 the Township implemented a new accounting system which was a major project. We strive to provide accurate reporting and procedures have been put in place to correct these issues.

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OHIO AUDITOR OF STATE KEITH FABER



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
JANUARY 9, 2020**