



**Auditor of State
Betty Montgomery**

HARRISON TOWNSHIP
MUSKINGUM COUNTY

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**Auditor of State
Betty Montgomery**

Harrison Township
Muskingum County
553 Front Street
Philo, Ohio 43771

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 14, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township
Muskingum County
553 Front Street
Philo, Ohio 43771

To the Board of Trustees:

We have audited the accompanying financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Harrison Township, Muskingum County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

December 14, 2005

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$8,442	\$91,683	\$39,186	\$139,311
Intergovernmental	21,661	114,692		136,353
Charges for Services		7,907		7,907
Earnings on Investments	317	142		459
Other Revenue	167	1,716		1,883
	<u>30,587</u>	<u>216,140</u>	<u>39,186</u>	<u>285,913</u>
Total Cash Receipts	30,587	216,140	39,186	285,913
Cash Disbursements:				
Current:				
General Government	35,813			35,813
Public Safety		25,711		25,711
Public Works		123,217		123,217
Health	254			254
Conservation - Recreation		32,688		32,688
Miscellaneous	96			96
Debt Service:				
Redemption of Principal			34,740	34,740
Interest and Fiscal Charges		67	4,612	4,679
Capital Outlay		4,034		4,034
	<u>36,163</u>	<u>185,717</u>	<u>39,352</u>	<u>261,232</u>
Total Cash Disbursements	36,163	185,717	39,352	261,232
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,576)</u>	<u>30,423</u>	<u>(166)</u>	<u>24,681</u>
Fund Cash Balances, January 1	<u>8,958</u>	<u>102,774</u>	<u>166</u>	<u>111,898</u>
Fund Cash Balances, December 31	<u>\$3,382</u>	<u>\$133,197</u>	<u>\$0</u>	<u>\$136,579</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$11,213</u>	<u>\$0</u>	<u>\$11,213</u>

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Local Taxes	\$8,097	\$98,272	\$31,649	\$138,018
Intergovernmental	23,730	108,964		132,694
Charges for Services		9,830		9,830
Earnings on Investments	627	59		686
Other Revenue	1,186	2,188		3,374
	33,640	219,313	31,649	284,602
Cash Disbursements:				
Current:				
General Government	37,644			37,644
Public Safety		27,603		27,603
Public Works		122,837		122,837
Health	479			479
Conservation - Recreation		48,865		48,865
Miscellaneous	36	58		94
Debt Service:				
Redemption of Principal		4,106	30,665	34,771
Interest and Fiscal Charges		4,080	989	5,069
Capital Outlay		155,282		155,282
	38,159	362,831	31,654	432,644
Total Cash Receipts Over/(Under) Cash Disbursements	(4,519)	(143,518)	(5)	(148,042)
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes		129,000		129,000
	0	129,000	0	129,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,519)	(14,518)	(5)	(19,042)
Fund Cash Balances, January 1	13,477	117,292	171	130,940
Fund Cash Balances, December 31	\$8,958	\$102,774	\$166	\$111,898
Reserve for Encumbrances, December 31	\$0	\$52,451	\$0	\$52,451

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township, Muskingum County (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, recreation and fire protection services. The Township contracts with Harrison Township Medical Services Inc. to provide emergency management services.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for maintaining and repairing Township roads.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds

Fire District Fund – This fund receives property tax and proceeds of contracts for maintaining and equipping a volunteer fire department.

Road District Fund – This fund received property tax money from a special levy in order to construct, maintain and repair Township roads.

Park Levy Fund – This fund receives property tax money from a special levy and limited user fees in order to maintain and operate a swimming pool and recreational area.

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

Dump Truck Note Retirement Fund – This fund was established to retire notes issued for the purchase of a dump truck to be used for Township road maintenance.

Mower Note Retirement Fund – This fund was established to retire notes issued for the purchase of a mower to be used for Township road maintenance.

Fire Truck Note Retirement Fund – This fund was established to retire notes issued for the purchase of a fire truck to be used for providing fire protection.

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Township did not properly encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

E. 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.

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$136,579	\$111,898

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,856	\$30,587	\$731
Special Revenue	230,259	216,140	(14,119)
Debt Service	39,186	39,186	0
Total	\$299,301	\$285,913	(\$13,388)

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$38,753	\$36,163	\$2,590
Special Revenue	333,269	196,930	136,339
Debt Service	39,352	39,352	0
Capital Projects	465	0	465
Total	<u>\$411,839</u>	<u>\$272,445</u>	<u>\$139,394</u>

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,263	\$33,640	(\$623)
Special Revenue	342,642	348,313	5,671
Debt Service	38,763	31,649	(7,114)
Total	<u>\$415,668</u>	<u>\$413,602</u>	<u>(\$2,066)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,136	\$38,159	\$11,977
Special Revenue	463,878	415,282	48,596
Debt Service	10,096	31,654	(21,558)
Total	<u>\$524,110</u>	<u>\$485,095</u>	<u>\$39,015</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Dump Truck Note Retirement Fund by \$4,728 and in the Fire Truck Note Retirement Fund by \$16,830 for the year ended December 31, 2003.

Also contrary to Ohio law, appropriations exceeded estimated resources in the General Fund by \$2,397 and in the Fire District Fund by \$28,839 for the year ended December 31, 2003. Appropriations exceeded estimated resources in the Fire District Fund by \$1,000 for the year ended December 31, 2004.

In addition, appropriations as approved by the Board of Trustees did not agree to the appropriations entered into the appropriations ledger for the year ended December 31, 2003 in the General Fund by \$2,432, the Gasoline Tax Fund by \$5,541, the Road and Bridge Fund by \$9,905, the Fire District Fund by \$29,039, the Road District Fund by \$2,634, the Park Levy Fund by \$6,616, the Dump Truck Note Retirement Fund by \$4,734 and the Fire Truck Note Retirement Fund by \$24,104. Appropriations as approved by the Board of Trustees did not agree to the appropriations entered into the appropriations ledger for the year ended December 31, 2004 in the Fire District Fund by \$1,000 and the Park Levy Fund by \$360.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
General Obligation Notes - 2003	77,400	3.90%
General Obligation Notes - 2002	4,500	4.00%
Total	\$81,900	

During 2003, the Township issued general obligation notes to finance the purchase of a fire truck for use in providing fire protection services. The full faith, credit and revenue of the Township are pledged for the prompt payment. The debt is being retired from the Debt Service Fire Truck Note Retirement Fund and the Fire District Fund.

During 2002, the Township issued general obligation notes to finance the purchase of a mower for use in maintaining Township roads. The full faith, credit and revenue of the Township are pledged for the prompt payment. The debt is being retired from the Debt Service Mower Note Retirement Fund.

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

	General Obligation Notes
Year ending December 31:	
2005	\$33,499
2006	27,812
2007	26,806
Total	\$88,117

6. RETIREMENT SYSTEMS

The Ohio Revised Code prescribes contribution rates. Ohio Public Employees Retirement System (OPERS) members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT

The Township is insured with the Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. This risk pool membership is further disclosed in note 8 to the financial statements. The following risks are covered by OTARMA:

- Comprehensive property and general liability;
- Legal liability – third party claims;
- Automobile liability and physical damage;
- Wrongful acts; and
- Bonding of public officials.

The Township also provides health, accidental death and disability, life and cancer insurance coverage to its officials through a private carrier.

8. RISK POOL MEMBERSHIP

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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:

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RISK POOL MEMBERSHIP (Continued)

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**Auditor of State
Betty Montgomery**

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

Harrison Township
Muskingum County
553 Front Street
Philo, Ohio 43771

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated December 14, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-003 through 2004-008.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated December 14, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-005. In a separate letter to the Township's management dated December 14, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 14, 2005

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding for Recovery

As provided in Ohio Revised Code Section 505.60, the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. The Township provided health insurance coverage to all officials who desired coverage during the audit period. The Board of Trustees passed a resolution at the May 8, 2001 Organizational meeting to provide insurance coverage to its elected officials and employees. Per resolution, elected officials' insurance premiums are not to exceed \$4,000.

The Township paid Burton B. Beardsley's insurance premiums \$188 in excess of the authorized amount of \$4,000 during 2003.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Burton B. Beardsley and his surety, The Ohio Township Association Risk Management Authority, in the amount of \$188, in favor of the Harrison Township, Muskingum County General Fund.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code § 5705.39 requires appropriations from each fund to be limited to total estimated resources.

During the year ended December 31, 2003, appropriations exceeded estimated resources in the General Fund and Fire District Fund in the amounts of \$2,397 and \$28,839, respectively. During the year ended December 31, 2004, appropriations exceeded estimated resources in the Fire District Fund in the amount of \$1,000. This was due to amended certificates being obtained from the County Auditor without the Board of Trustees properly approving subsequent amendments to appropriations.

We recommend the Township review appropriations prior to obtaining an amended certificate and/or when an amended certificate is received to ensure appropriations are within total estimated resources.

FINDING NUMBER 2004-003

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.40 provides that any appropriation ordinance or 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. In addition, Ohio courts have held that a board or officer whose judgment and discretion is required, was chosen because they were deemed fit and competent to exercise that judgment and discretion and unless power to substitute another in their place has been given, such board or officer cannot delegate these duties to another. Following such reasoning, a Township Board of Trustees would be prohibited from delegating duties statutorily assigned to it, such as the duty of amending appropriations as provided for in Ohio Revised Code Section 5705.40. See, *C.B. Transportation, Inc. v. Butler County Board of Mental Retardation*, 60 Ohio Misc. 71, 397 N.E.2d 781 (C.P. 1979); *Burkholder v. Lauber*, 6 Ohio Misc. 152, 216 N.E.2d (C.P. 1965).

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2004-003
(Continued)**

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code § 5705.40 (Continued)

The appropriations as approved by the Board of Trustees did not agree to the appropriations entered into the appropriations ledger. The following schedules compare approved appropriations to those posted to the appropriations ledger:

Fiscal Year	Fund/Line Item	Approved Appropriations	Appropriations per the UAN system	Variance
2003	1000-110-389	\$12,000	\$8,444	\$3,556
2003	1000-110-599	\$2,690	\$5,749	(\$3,059)
2003	2021-330-111	\$15,048	\$22,436	(\$7,388)
2003	2031-330-111	\$7,428	\$10,597	(\$3,169)
2003	2031-330-420	\$10,500	\$23,634	(\$13,134)
2003	2031-330-599	\$7,720	\$3,198	\$4,522
2003	2031-760-740	\$10,000	\$6,000	\$4,000
2003	2111-220-323	\$21,000	\$16,750	\$4,250
2003	2111-220-599	\$13,218	\$10,218	\$3,000
2003	2111-760-740	\$172,000	\$150,261	\$21,739
2003	2141-330-190	\$2,200	\$5,700	(\$3,500)
2003	2141-330-420	\$7,191	\$11,326	(\$4,135)
2003	2141-330-740	\$15,000	\$8,700	\$6,300
2003	2171-610-323	\$4,000	\$13,500	(\$9,500)
2003	2171-610-430	\$500	\$6,000	(\$5,500)
2003	2171-760-730	\$16,020	\$1,710	\$14,310
2003	3101-820-820	\$161	\$4,440	(\$4,279)
2003	3102-820-820	\$4,440	\$25,800	(\$21,360)
2003	2141-330-420	\$7,191	\$11,326	(\$4,135)

In addition to those variances scheduled above, numerous less significant variances occurred which are not scheduled.

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by the Board of Trustees.

We recommend that Board of Trustees approve all appropriation amendments and assure that all approvals are recorded in the Board of Trustee's minutes, and the Township Clerk file all appropriation amendments with the County Auditor in order to receive confirmation from the County Auditor that appropriations do not exceed estimated resources. The Township Clerk should post these amendments only after the required approvals have been obtained.

HARRISON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-004

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

At December 31, 2003, expenditures exceeded appropriations as follows:

Fiscal Year	Fund/Line Item	Approved Appropriations	Actual Expenditures	Variance
2003	2021-330-111	\$15,048	\$22,436	\$7,388
2003	2031-330-420	\$10,500	\$17,588	\$7,088
2003	2171-610-323	\$4,000	\$11,873	\$7,873
2003	2171-610-430	\$500	\$4,000	\$3,500
2003	3101-820-820	\$161	\$4,440	\$4,279
2003	3102-820-820	\$4,400	\$21,725	\$17,285

In addition to those variances scheduled above, numerous less significant variances occurred which are not scheduled. Expenditures also exceeded appropriations throughout the year in 2003 and 2004.

In both years this occurred because unauthorized amendments to appropriations were posted to the accounting system. The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

In addition to the recommendation included in Finding Number 2004-003 above, we recommend the Board of Trustees and Township Clerk compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Township Clerk should deny requests for payment when appropriations are not available.

FINDING NUMBER 2004-005

Noncompliance Citation and Reportable Condition

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

HARRISON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-005 (Continued)

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code § 5705.41(D) (Continued)

1. **“Then and Now” certificate** - If the fiscal officer (Clerk) can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Board of Township Trustees) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 65% of the expenditures tested in 2003 and 100 percent in 2004 and there was no evidence the Township followed the aforementioned exceptions. In addition, we noted the Township issued blanket certificates after September 26, 2003 for 4% of the expenditures tested in 2003 and 35% in 2004 of the expenditures tested without establishing a limit by resolution or ordinance. Without the proper certifications, the management of the Township lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Township Clerk certify that funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, “then and now” certification should be used.

HARRISON TOWNSHIP
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)

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

FINDING NUMBER 2004-005 (Continued)

Noncompliance Citation and Reportable Condition (Continued)

Ohio Rev. Code § 5705.41(D) (Continued)

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. We further recommend the Board of Trustees determine the maximum amount which blanket certificates may not exceed and formally establish this policy by resolution or ordinance.

FINDING NUMBER 2004-006

Reportable Condition

Per Ohio Administrative Code Section 117-2-02(C)(1), all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

During 2003, the Township Clerk did not accurately post budgeted receipts to the accounting system. Variances existed between the amount on the certificate of estimated resources and the amount posted to the accounting system as follows:

Fund	Budgeted Receipts per the UAN system	Budgeted Receipts per the Final Certificate of Estimated Resources	Variance
General Fund	\$26,044	\$34,263	\$8,219
Road & Bridge Fund	\$24,125	\$30,979	\$6,854
Road District Fund	\$16,337	\$19,171	\$2,834
Recreation Fund	\$46,687	\$53,303	\$6,616

Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budget verses actual activity. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present the certified amount of estimated receipts.

We recommend the Township Clerk record estimated receipts directly from the certificate of estimated resources and any amendments thereto. This would ensure useful comparisons of estimated to actual receipts to be made throughout the year and help indicate when an increased or decreased amended certificate should be obtained.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-007

Reportable Condition

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During both 2003 and 2004, numerous transactions were inappropriately posted to "Other Revenue" accounts.

As a result, it was necessary to reclassify these transactions to properly reflect them in the financial statements as "Proceeds of Notes" and "Intergovernmental Receipts". The following schedule includes the approximate amounts of reclassifications by fund type.

Fund Type	Classification Posted	Proper Classification	Amount
2003			
General	Other	Intergovernmental	\$5,000
Special Revenue	Other	Intergovernmental	\$25,000
	Other	Proceeds of Notes	\$129,000
2004			
Special Revenue	Other	Intergovernmental	\$13,000

Several less significant transactions are not included within the schedule.

We recommend the Clerk follow the guidance provided in the Township chart of accounts to avoid excessive posting to the "Other Revenue" accounts.

FINDING NUMBER 2004-008

Reportable Condition

When designing the public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies.
- Ensuring that accounting records are properly designed.
- Ensuring adequate security of assets and records.
- Planning for adequate segregation of duties or compensating controls.
- Verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.
- Performing analytical procedures to determine the reasonableness of financial data.
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitoring activities performed by service organizations.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-008 (Continued)

Reportable Condition (Continued)

The Township's disbursement cycle allowed blank checks to be pre-signed by the Board of Trustees. During our testing, we noted 17 checks in 2003 and 16 checks in 2004 that were pre-signed. The Board of Trustees was not provided with supporting documentation for these pre-signed checks and the dates, vendors and amounts were not filled out. The Township Clerk stated that this pre-signing is done to prevent late fees and the Board of Trustees then review and sign the payment register after the checks are printed. However, we noted checks 17856 through 17874 were not included on the approved payment register and we noted late fees and penalties from various vendors were assessed to the Township for lack of timely payment.

This procedure could allow checks to be issued for unauthorized and/or improper purposes without the knowledge of the Board of Trustees. In addition, the Board of Trustees may not be aware of late fees and penalties assessed to the Township.

We recommend the Board of Trustees only sign checks that have been completely filled-out and for which there is supporting source documentation. The payment register reviewed and approved by the Board of Trustees should include all checks being issued by the Township. Steps should be taken to eliminate late fees being assessed to the Township.

**HARRISON TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-41060-001	The Township did not comply with Ohio Rev. Code § 505.24 – Paying of Board of Trustee salaries.	No	Partially Corrected. This item is included in the management letter.
2002-41060-002	The Township did not comply with Ohio Rev. Code § 5705.41(D) – Prior certification of invoices.	No	Re-issued. Finding is included in current year Schedule of Findings as item 2004-005.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

HARRISON TOWNSHIP

MUSKINGUM 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 17, 2006**