



Dave Yost • Auditor of State



HARLAN TOWNSHIP  
WARREN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Harlan Township  
Warren County  
P.O. Box 160  
Pleasant Plain, Ohio 45162

To the Board of Trustees:

### ***Report on the Financial Statements***

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Harlan Township, Warren County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 6, 2015

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$126,413	\$715,574	\$114,755	\$956,742
Charges for Services		92,628		92,628
Licenses, Permits and Fees	4,722			4,722
Intergovernmental	17,372	5,250		22,622
Special Assessments	1,284			1,284
Earnings on Investments	120	1		121
Miscellaneous	11,491	27,346		38,837
<i>Total Cash Receipts</i>	<u>161,402</u>	<u>840,799</u>	<u>114,755</u>	<u>1,116,956</u>
<b>Cash Disbursements</b>				
Current:				
General Government	249,628			249,628
Public Safety		298,929		298,929
Public Works		103,277		103,277
Other		144,168		144,168
Capital Outlay	50,000	255,308		305,308
Debt Service:				
Principal Retirement		32,248	74,000	106,248
Interest and Fiscal Charges		604	32,366	32,970
<i>Total Cash Disbursements</i>	<u>299,628</u>	<u>834,534</u>	<u>106,366</u>	<u>1,240,528</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(138,226)</u>	<u>6,265</u>	<u>8,389</u>	<u>(123,572)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets		18,500		18,500
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>18,500</u>	<u>0</u>	<u>18,500</u>
<i>Net Change in Fund Cash Balances</i>	<u>(138,226)</u>	<u>24,765</u>	<u>8,389</u>	<u>(105,072)</u>
<i>Fund Cash Balances, January 1</i>	<u>256,946</u>	<u>600,052</u>	<u>483,265</u>	<u>1,340,263</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	624,817	491,654	1,116,471
Committed	0	0	0	0
Assigned	118,720	0	0	118,720
Unassigned (Deficit)	0	0	0	0
<i>Fund Cash Balances, December 31</i>	<u><u>\$118,720</u></u>	<u><u>\$624,817</u></u>	<u><u>\$491,654</u></u>	<u><u>\$1,235,191</u></u>

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$142,139	\$711,754	\$116,466	\$970,359
Charges for Services		90,688		90,688
Licenses, Permits and Fees	4,471	16,698		21,169
Intergovernmental	108,620	5,500		114,120
Earnings on Investments	120	2		122
Miscellaneous	11,101	30,391		41,492
	<u>266,451</u>	<u>855,033</u>	<u>116,466</u>	<u>1,237,950</u>
<b>Cash Disbursements</b>				
Current:				
General Government	252,936	6,234	1,252	260,422
Public Safety		122,463		122,463
Public Works	1,339	380,192		381,531
Other		2,399		2,399
Capital Outlay	20,000	162,468		182,468
Debt Service:				
Principal Retirement		31,083	69,000	100,083
Interest and Fiscal Charges		1,792	36,068	37,860
	<u>274,275</u>	<u>706,631</u>	<u>106,320</u>	<u>1,087,226</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,824)	148,402	10,146	150,724
<i>Fund Cash Balances, January 1</i>	<u>264,770</u>	<u>451,650</u>	<u>473,119</u>	<u>1,189,539</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	600,052	483,265	1,083,317
Committed	0	0	0	0
Assigned	256,946	0	0	256,946
Unassigned (Deficit)	0	0	0	0
	<u>\$256,946</u>	<u>\$600,052</u>	<u>\$483,265</u>	<u>\$1,340,263</u>

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Harlan Township, Warren 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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Medicount Management to provide ambulance billings.

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

**B. Accounting Basis**

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

**C. Deposits and Investments**

The Township's accounting basis includes an interest-bearing checking account and money market mutual fund. 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 and disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

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

Fire District Fund - This fund receives fire levy tax proceeds to provide fire and EMS protection services.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Bond Retirement Fund - This fund receives property tax money to pay off the debt on the construction of the new fire station.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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 approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not encumber all commitments required by Ohio law.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**H. Accumulated Leave**

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

**2. Equity in Pooled Deposits and Investments**

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

	2014	2013
Demand deposits	\$30,000	\$30,000
Money Market Mutual Funds	1,205,194	1,310,266
Total deposits and investments	\$1,235,194	\$1,340,266

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

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

**3. Budgetary Activity**

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

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$265,788	\$161,402	(\$104,386)
Special Revenue	1,237,896	859,299	(378,597)
Debt Service	457,025	114,755	(342,270)
Total	\$1,960,709	\$1,135,456	(\$825,253)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$392,447	\$299,628	\$92,819
Special Revenue	1,374,064	834,534	539,530
Debt Service	594,265	106,366	487,899
Total	\$2,360,776	\$1,240,528	\$1,120,248

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**3. Budgetary Activity (Continued)**

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$321,535	\$266,451	(\$55,084)
Special Revenue	1,228,725	855,033	(373,692)
Debt Service	453,760	116,466	(337,294)
Total	\$2,004,020	\$1,237,950	(\$766,070)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$392,447	\$274,275	\$118,172
Special Revenue	1,374,064	706,631	667,433
Debt Service	594,265	106,320	487,945
Total	\$2,360,776	\$1,087,226	\$1,273,550

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$126,660, Road and Bridge Fund by \$42,756, Cemetery Fund by \$8,004, Fire District Fund by \$114,815 and General Bond Retirement Fund by \$137,240 for the year ended December 31, 2014. Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$59,372, Gasoline Tax Fund by \$185, Road and Bridge Fund by \$32,908, and Fire District Fund by \$86,204 for the year ended December 31, 2013.

**4. Property Tax**

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

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

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**5. Debt**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
2000 Fire Station Bond	\$561,000	5.25%
Total	\$561,000	

The Fire Station Bonds were acquired in 2000 for the construction of a new fire station to be paid off in 2020. The bonds are collateralized by the Township's taxing authority.

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

	Fire Station Bonds
Year ending December 31:	
2015	\$107,429
2016	108,203
2017	109,740
2018	110,936
2019	111,818
2020	114,332
Total	\$662,458

**6. Retirement Systems**

**A. Ohio Public Employees Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% and of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**B. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the OPERS use Social Security. As of December 31, 2014, two employees have elected Social Security. The Township's liability is 6.2% of wages paid.

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

**7. Risk Management**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**8. Subsequent Events**

On April 2, 2015, the Township issued \$450,000 in Fire Station Improvement Bonds maturing December 1, 2024.

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# Dave Yost • Auditor of State

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

Harlan Township  
Warren County  
P.O. Box 160  
Pleasant Plain, Ohio 45162

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 Harlan Township, Warren County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated November 6, 2015.

### ***Internal Control Over Financial Reporting***

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying schedule of findings to be a material weakness.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001, 2014-002 and 2014-004.

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***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 6, 2015

HARLAN TOWNSHIP  
WARREN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-001

**Noncompliance Citation**

**Ohio Revised Code, §149.351**, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code Sections 149.38 to 149.42.

In addition, Ohio Revised Code §149.381 states in part that when records have been approved for disposal, a copy of such records application or schedule shall be sent to the Ohio Historical Society, who upon completion of its review, shall forward it on to the Auditor of State. The Auditor of State shall approve or disapprove the application or schedule within a period of not more than sixty days after receipt of it. Before public records are to be disposed of pursuant to an approved schedule of records retention and disposition, the records commission shall inform the Ohio Historical Society of the disposal through the submission of a certificate of records disposal for only the records required by the schedule to be disposed of, and shall give the society the opportunity for a period of fifteen business days to select for its custody those public records, from the certificate submitted, that it considers to be of continuing historical value.

The Township could not locate the following records:

- During 2013, three invoices out of 33 (9%) were not able to be located.
- During 2014, three invoices out of 40 (7%) were not able to be located.

Failure to maintain proper documentation could result in difficulties supporting the actions taken by the Township and noncompliance. We recommend that the Township maintain all records required by law.

FINDING NUMBER 2014-002

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(D)(1)**, prohibits a subdivision or taxing entity 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.

**FINDING NUMBER 2014-002**  
**(Continued)**

1. **“Then and Now” Certificate.** If the fiscal officer 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 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 for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal 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.
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.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

During 2014 and 2013, 19 of 40 (47%) and 14 of 33 (42%) transactions tested, respectively, did not have certification prior to the obligation date and none of the exceptions provided above were utilized.

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, 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 that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 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 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

### FINDING NUMBER 2014-003

#### Material Weakness

**Ohio Admin. Code Section 117-2-02 (A)** requires all the local public offices shall 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.

The Township presented for audit financial statements that had incorrect beginning fund balances. These financial statements also did not accurately classify the Township's receipts and disbursements based on the underlying ledgers.

We were able to determine the misclassifications on the financial statements. The Township misclassified the following transactions:

- In 2013, County Auditor and Treasurer deductions were improperly posted as negative receipts instead of disbursements, as follows: General Fund \$5,493; Special Revenue Funds 6,234; and, Debt Service Fund \$1,252.
- In 2013, intergovernmental receipts of \$1,341 were improperly posted as miscellaneous receipts in the General Fund.
- In 2014 and 2013, licenses, permits and fees of \$4,466 and \$4,434, respectively, were improperly posted as miscellaneous receipts in the General Fund.
- In 2014 and 2013, intergovernmental receipts of \$17,372 and \$99,013, respectively, were improperly posted as miscellaneous receipts in the General Fund.
- In 2014, a property tax receipt of \$7,293 was improperly posted as miscellaneous receipts in the General Fund.
- In 2014, proceeds from the sale of capital assets totaling \$18,500 was improperly posted as miscellaneous receipts in the Special Revenue Funds.
- In 2014 and 2013, charges for services of \$11,653 and \$15,382, respectively, were improperly posted as miscellaneous receipts in the Special Revenue Funds.
- In 2014 and 2013, intergovernmental receipts of \$5,250 and \$5,500, respectively, were improperly posted as miscellaneous receipts in the Special Revenue Funds.
- In 2013, intergovernmental receipts of \$8,266 were improperly posted as miscellaneous receipts in the General Fund.
- In 2014 and 2013, interest of \$120 (each year) was improperly posted as miscellaneous receipts in the General Fund.
- In 2013, prior audit adjustments to the beginning fund balance were improperly posted as miscellaneous receipts, as follows: General Fund \$21,129; Special Revenue Funds \$192,861; and, Debt Service Fund \$139,318.
- In 2014 and 2013, principal (\$32,248 and \$31,083, respectively) and interest (\$604 and \$1,792, respectively) payments were improperly posted as capital outlay (\$32,852 and \$32,875, respectively) in the Special Revenue Funds.

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

- In 2014 and 2013, restricted fund balances were improperly classified as unassigned on the financial statements in the Special Revenue Funds (\$624,817 and \$600,052, respectively) and the Debt Service Fund (\$491,654 and \$483,265, respectively).

The aforementioned adjustments have been posted to the financial statements and the accounting records, where appropriate.

Failure to properly post transactions resulted in inaccurate financial statements and reduces the Trustee's ability to monitor financial activity and make informed financial decisions.

We recommend the Fiscal Officer review the Ohio Township Handbook to determine proper transaction classifications.

**FINDING NUMBER 2014-004**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.39**, states that the total appropriation from each fund shall not exceed the total estimated resources. Appropriations exceeded total estimated resources in the following funds:

2014			
Fund	Estimated Resources	Appropriations	Variance
General	\$265,788	\$392,447	\$(126,660)
Special Revenue	1,237,896	1,374,065	(136,169)
Debt Service	457,025	594,265	(137,240)

2013			
Fund	Estimated Resources	Appropriations	Variance
General	\$321,535	\$380,906	\$(59,372)
Special Revenue	1,228,726	1,316,308	(87,582)

Appropriating more resources than the Township is expecting for the year could result in negative fund balances and possibly lead to fiscal distress due to overspending. We recommend that the Township monitor budgetary activity monthly and make the necessary amendments to their official budgetary documents and system so that they reflect the actual budgetary situation. All amendments should be reviewed and approved by the Board of Trustees.

**HARLAN TOWNSHIP  
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	ORC Section 5705.41(D), certifying money is available to spend prior to obligation	No	Repeated as Finding 2014-002
2012-002	ORC Section 5705.39, appropriations exceeded total estimated resources	No	Repeated as Finding 2014-004
2012-003	OAC Section 117-2-02(A), posting errors resulting from lack of oversight	No	Repeated as Finding 2014-003

**Officials' response:**

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

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# Dave Yost • Auditor of State

**HARLAN TOWNSHIP**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 15, 2015**