



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, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2012 and 2011, 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, 2012 and 2011, 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 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 Harlan Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 30, 2013

**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, 2012**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$104,001	\$534,215	\$101,384	\$739,600
Charges for Services		55,979		55,979
Licenses, Permits and Fees	4,757			4,757
Intergovernmental	88,114	178,170	15,653	281,937
Special Assessments	1,481			1,481
Earnings on Investments				0
Miscellaneous	1,349	68,621		69,970
<i>Total Cash Receipts</i>	<u>199,702</u>	<u>836,985</u>	<u>117,037</u>	<u>1,153,724</u>
<b>Cash Disbursements</b>				
Current:				
General Government	274,033	4,057	828	278,918
Public Safety		261,522		261,522
Public Works	16,373	293,827		310,200
Health		27,347		27,347
Conservation-Recreation	6,578			6,578
Capital Outlay		188,285		188,285
Debt Service:				
Principal Retirement		29,959	65,000	94,959
Interest and Fiscal Charges		1,749	39,533	41,282
<i>Total Cash Disbursements</i>	<u>296,984</u>	<u>806,746</u>	<u>105,361</u>	<u>1,209,091</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(97,282)</u>	<u>30,239</u>	<u>11,676</u>	<u>(55,367)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets		8,476		8,476
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>8,476</u>	<u>0</u>	<u>8,476</u>
<i>Net Change in Fund Cash Balances</i>	<u>(97,282)</u>	<u>38,715</u>	<u>11,676</u>	<u>(46,891)</u>
<i>Fund Cash Balances, January 1</i>	<u>362,053</u>	<u>410,535</u>	<u>461,443</u>	<u>1,234,031</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		449,250	473,119	922,369
Unassigned (Deficit)	264,771			264,771
<i>Fund Cash Balances, December 31</i>	<u>\$264,771</u>	<u>\$449,250</u>	<u>\$473,119</u>	<u>\$1,187,140</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, 2011**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$104,240	\$535,222	\$101,191	\$740,653
Charges for Services		75,984		75,984
Licenses, Permits and Fees	4,106			4,106
Intergovernmental	203,575	187,667	15,560	406,802
Special Assessments	1,144			1,144
Miscellaneous	2,291	10,801		13,092
<i>Total Cash Receipts</i>	<u>315,356</u>	<u>809,674</u>	<u>116,751</u>	<u>1,241,781</u>
<b>Cash Disbursements</b>				
Current:				
General Government	269,230	6,830	1,289	277,349
Public Safety		284,652		284,652
Public Works	55,260	257,781		313,041
Health		12,222		12,222
Conservation-Recreation	12,867			12,867
Capital Outlay		106,270		106,270
Debt Service:				
Principal Retirement		28,877	61,000	89,877
Interest and Fiscal Charges		2,291	42,788	45,079
<i>Total Cash Disbursements</i>	<u>337,357</u>	<u>698,923</u>	<u>105,077</u>	<u>1,141,357</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,001)</u>	<u>110,751</u>	<u>11,674</u>	<u>100,424</u>
<i>Fund Cash Balances, January 1</i>	<u>384,054</u>	<u>299,784</u>	<u>449,769</u>	<u>1,133,607</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		410,535	461,443	871,978
Unassigned (Deficit)	362,053			362,053
<i>Fund Cash Balances, December 31</i>	<u>\$362,053</u>	<u>\$410,535</u>	<u>\$461,443</u>	<u>\$1,234,031</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, 2012 AND 2011**

**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 Harlan Township, Warren County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, 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 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. Deposits and Investments**

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

**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:

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

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

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 Fund:

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 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also 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 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

The Township implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during 2011. 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, 2012 AND 2011  
(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, 2012 AND 2011  
(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:

	2012	2011
Demand deposits	\$30,000	\$30,000
Money Market Mutual Funds	1,157,140	1,204,031
Total deposits and investments	\$1,187,140	\$1,234,031

**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, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,300	\$199,702	\$43,402
Special Revenue	881,100	845,461	(35,639)
Debt Service	112,000	117,037	5,037
Total	\$1,149,400	\$1,162,200	\$12,800

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$533,167	\$296,984	\$236,183
Special Revenue	1,405,119	806,746	598,373
Debt Service	434,124	105,361	328,763
Total	\$2,372,410	\$1,209,091	\$1,163,319

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$180,300	\$315,356	\$135,056
Special Revenue	888,500	809,674	(78,826)
Debt Service	115,000	116,751	1,751
Total	\$1,183,800	\$1,241,781	\$57,981

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$543,166	\$337,357	\$205,809
Special Revenue	1,395,468	698,923	696,545
Debt Service	373,664	105,077	268,587
Total	\$2,312,298	\$1,141,357	\$1,170,941

Contrary to Ohio law, during 2012 appropriations exceeded estimated resources in the General Fund by \$35,944 and in the Road and Bridge Fund by \$24,955.

**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.

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.

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
2009 Fire Truck Acquisition Bond	\$63,331	3.75%
2000 Fire Station Bond	704,000	5.25%
Total	\$767,331	

The Township issued a \$150,000 Fire Truck Acquisition bond in 2009 for 5 years to finance the purchase of a new fire truck for the Township Fire Department. The Township's taxing authority collateralized the bonds.

The Fire Station Bonds were acquired in 2001 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:

	2009 Fire Truck Acquisition	2000 Fire Station Bond
Year ending December 31:		
2013	\$33,458	\$105,068
2014	33,457	106,366
2015		107,429
2016		108,203
2017		109,740
2018-2020		337,085
Total	\$66,915	\$873,891

**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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Retirement Systems (Continued)**

**B. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the OPERS use Social Security. As of December 31, 2012, two employees have elected Social Security. The Township's liability is 6.2% of wages paid.

**7. Risk Management**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

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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 Harlan Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

### ***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 2012-003 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 2012-001 through 2012-003.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

September 30, 2013

HARLAN TOWNSHIP  
WARREN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

**Noncompliance**

**Ohio Rev. Code, Section 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.

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.

The Township did not properly certify the availability of funds for purchase commitments for all expenditures tested for 2012 and all expenditures tested for 2011 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2012-001  
(Continued)**

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 2012-002**

**Noncompliance**

**Ohio Rev. Code, Section 5705.39**, provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official certificate. The Township's appropriations exceeded resources in 2012 in the General Fund and Road Bridge Fund by \$35,944 and \$24,955, respectively.

Also, estimated resources budgetary information and supplemental appropriations were not entered into the computer system from the original documents filed with the County Auditor. This does not allow the Township to monitor the status of appropriations and budgeted receipts throughout the year.

Failure to properly record budgeted receipts and appropriations may result in overspending and negative fund balances. We recommend the Township integrate budgeted receipts and supplemental appropriations into the computer system.

**FINDING NUMBER 2012-003**

**Material Weakness/Noncompliance**

**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. In addition, for 2012, the total ending fund balances did not agree to the reconciled cash balance. Due to the extent of the errors, the Township compiled revised financial statements. However, the revised financial statements also had incorrect beginning fund balances, did not accurately classify the Township's receipts and disbursements based on the underlying ledgers, and the fund balances for 2012 did not agree to the reconciled cash balance due to a calculation error within the report.

**FINDING NUMBER 2012-003**  
**(Continued)**

We were able to determine the misclassifications on the financial statements because the underlying accounting records were posted properly. The Township misclassified the following transactions:

- County Auditor and Treasurer deductions were reported as negative receipts instead of as General Government disbursements. In the General Fund, Tax receipts and General Government disbursements were both understated by \$5,479 and \$5,614 for 2011 and 2012, respectively. In Special Revenue funds, Tax receipts and General Government disbursements were both understated by \$6,830 and \$4,057 for 2011 and 2012, respectively. In the Debt Service Fund, Tax receipts and General Government disbursements were both understated by \$1,289 and \$828 for 2011 and 2012, respectively.
- Monies received from Rollback and Homestead settlements were recorded as Local Taxes instead of Intergovernmental. In the General Fund, during 2011 and 2012, \$15,667 and \$15,812, respectively, was improperly recorded. In Special Revenue funds, during 2011 and 2012, \$73,168 and \$73,045, respectively, was improperly recorded. In the Debt Service Fund, during 2011 and 2012, \$15,560 and \$15,653, respectively, was improperly recorded.
- Monies received from the County Auditor for Local Government monies posted in the General Fund were recorded as Local Taxes instead of Intergovernmental. During 2011, \$58,027 was improperly recorded. During 2012, \$32,143 was improperly recorded.
- Monies received from the County Auditor for the Motor Vehicle License Tax and Gasoline Tax were recorded in Special Revenue funds as Local Taxes instead of Intergovernmental. During 2011, \$104,741 was improperly posted. During 2012, \$99,625 was improperly posted.
- Cable franchise fees were reported in the General Fund as Other Revenue instead of Licenses, Permits, and Fees. During 2011, \$3,850 was improperly recorded. During 2012, \$4,303 was improperly recorded.
- Monies received from Estate Taxes were recorded as Other Revenue instead of Intergovernmental in the General Fund. During 2011, \$129,881 was improperly recorded. During 2012, \$40,159 was improperly recorded.
- Public Utility Deregulation monies received in 2011 were reported in the Fire Fund as Other Revenue instead of Intergovernmental in the amount of \$3,358.
- Monies received for Street Lighting Special Assessments in the General Fund were posted to Local Taxes instead of Special Assessments. During 2011, \$1,144 was improperly posted. During 2012, \$1,481 was improperly posted.
- Money received from the sale of capital assets in the amount of \$8,476 during 2012 was incorrectly recorded in the Road and Bridge fund as Other Revenue rather than Sale of Capital Assets.
- Monies received for grave openings and closings in the Cemetery Fund were recorded as Other Revenue instead of Charges for Services. During 2011, \$6,600 was incorrectly recorded. During 2012, \$7,300 was incorrectly recorded.
- Monies received from the Auditor of State for Public Safety grants in the Fire Fund were posted to Other Revenue instead of Intergovernmental. During 2011, \$6,400 was incorrectly posted. During 2012, \$5,500 was incorrectly posted.

**FINDING NUMBER 2012-003  
(Continued)**

- Monies spent from the General Fund for parks and recreation were recorded as General Government instead of Conservation - Recreation. During 2011, \$12,867 was incorrectly recorded. During 2012, \$6,578 was incorrectly recorded.
- Monies paid for highway construction projects from the General Fund were recorded as General Government instead of Public Works. During 2011, \$53,939 was incorrectly recorded. During 2012, \$15,088 was incorrectly recorded.
- Various expenditures in the Road and Bridge Fund were recorded as Public Safety instead of Public Works. During 2011, \$156,632 was incorrectly recorded. During 2012, \$112,741 was incorrectly recorded.
- Expenditures from the Cemetery Fund were recorded as Public Works instead of Health. During 2011, \$12,222 was incorrectly recorded. During 2012, \$27,347 was incorrectly recorded.
- Certain expenditures from the Fire Fund were recorded as Public Works instead of Public Safety. During 2011, \$284,652 was incorrectly recorded. During 2012, \$261,522 was incorrectly recorded.
- Expenditures from the Permissive Motor Vehicle License Tax Fund were recorded as Capital Outlay instead of Public Works. During 2011, \$18,785 was incorrectly recorded. During 2012, \$77,084 was incorrectly recorded.
- The May 2011 debt service payment on the fire station bonds (\$30,000 Principal and \$21,788 Interest) was paid from the Fire Fund. This should have been paid from the Debt Service fund.
- During 2012, the Township paid the employer portion of OPERS relating to salaries originally paid from the Gasoline Tax Fund from the Road and Bridge Fund. These improper payments totaled \$12,611.
- Debt service payments made from the Fire Fund were recorded as Capital Outlay instead of Debt Service Principal and Interest. In 2011, the payment for the Fire Truck in the amount of \$31,168 was recorded as Capital Outlay instead of Debt Service – Principal \$28,877 and Debt Service – Interest \$2,291. The 2012 Fire Truck payment in the amount of \$31,708 was recorded as Capital Outlay instead of Debt Service – Principal \$29,959 and Debt Service Interest \$1,749.
- Fund balances were incorrectly designated on the financial statements. For Fiscal year 2011, ending fund balances in Special Revenue Funds (\$410,534) and the Debt Service fund (\$461,443) were reported as Unassigned rather than Restricted. For fiscal year 2012, ending fund balances in Special Revenue Funds (\$449,250) and the Debt Service Fund (\$473,119) were also reported as Unassigned rather than Restricted.

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.

**FINDING NUMBER 2012-003  
(Continued)**

We recommend the Fiscal Officer review the Ohio Township Handbook <http://www.auditor.state.oh.us/services/lgs/publications/LocalGovernmentManualsHandbooks/Ohio%20Township%20Handbook%202013.pdf> to determine proper receipt/expenditure classifications.

**Officials' Response:**

Officials did not provide a response to the above findings.

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**HARLAN TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

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>
2010-01	ORC Section 5705.39. Appropriations exceeded total estimated resources.	No.	Not corrected. Reissued as Finding # 2012-002.
2010-02	ORC Section 5705.41(D), certifying money is available to spend prior to obligation.	No	Not corrected. Reissued as Finding #2012-001.
2010-03	Posting errors resulting from lack of oversight	No	Not corrected. Reissued as Finding #2012-003.

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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  
OCTOBER 22, 2013**