



OHIO AUDITOR OF STATE
KEITH FABER



HARLAN TOWNSHIP
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ending December 31, 2018.....	3
Notes to the Financial Statements For the Year Ending December 31, 2018.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ending December 31, 2017.....	13
Notes to the Financial Statements For the Year Ending December 31, 2017.....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Prepared by Management:	
Summary Schedule of Prior Audit Findings (Prepared by Management)	27

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 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.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Harlan Township, Warren County as of December 31, 2018 and 2017, 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 April 16, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

April 16, 2020

Harlan Township

Warren County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2018

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$112,772	\$530,595	\$114,356	\$757,723
Charges for Services		59,193		59,193
Intergovernmental	52,488	244,965	17,026	314,479
Miscellaneous	21,308	81,257		102,565
<i>Total Cash Receipts</i>	<u>186,568</u>	<u>916,010</u>	<u>131,382</u>	<u>1,233,960</u>
Cash Disbursements				
Current:				
General Government	143,461			143,461
Public Works		406,749		406,749
Other		253,335		253,335
Capital Outlay		324,068		324,068
Debt Service:				
Principal Retirement		79,400	96,000	175,400
Interest and Fiscal Charges		15,649	14,936	30,585
<i>Total Cash Disbursements</i>	<u>143,461</u>	<u>1,079,201</u>	<u>110,936</u>	<u>1,333,598</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>43,107</u>	<u>(163,191)</u>	<u>20,446</u>	<u>(99,638)</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds		175,000		175,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>175,000</u>	<u>0</u>	<u>175,000</u>
<i>Net Change in Fund Cash Balances</i>	43,107	11,809	20,446	75,362
<i>Fund Cash Balances, January 1</i>	<u>58,408</u>	<u>909,015</u>	<u>536,680</u>	<u>1,504,103</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	920,823	557,126	1,477,949
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	101,515	1	0	101,516
<i>Fund Cash Balances, December 31</i>	<u>\$101,515</u>	<u>\$920,824</u>	<u>\$557,126</u>	<u>\$1,579,465</u>

See accompanying notes to the basic financial statements

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Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

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

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

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

Road & Bridge Fund The road and bridge fund accounts for and reports that portion of the property taxes and state revenue restricted for maintenance and repair of roads and bridges within the Township.

Fire Fund The fire fund accounts for and reports that portion of property taxes and state revenue restricted for fire department and ambulance services within the Township.

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 The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements deemed to benefit the Township.

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Fund Balance

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

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

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

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

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

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

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,104	\$186,568	(\$36,536)
Special Revenue	1,656,853	1,091,010	(565,843)
Debt Service	677,349	131,382	(545,967)
Total	\$2,557,306	\$1,408,960	(\$1,148,346)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$213,224	\$153,461	\$59,763
Special Revenue	1,619,522	1,079,202	540,320
Debt Service	662,681	110,936	551,745
Total	\$2,495,427	\$1,343,599	\$1,151,828

Note 4 – Deposits and Investments

The Township maintains a deposits 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:

Demand deposits	20C17 \$30,000
Other time deposits (savings and NOW accounts)	1,549,465
Total deposits	1,579,465

Deposits

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 – Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

The Township is uninsured for the following risks:

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

Note 7– Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

Several Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 217. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Note 9– Debt

Debt outstanding at December 31, 2018, was as follows:

2000 Fire Station Bond	\$212,000	5.25%
Fire Station Improvement Bond	\$298,100	2.85%
Fire Truck Acquisition Bond	\$90,000	2.15%
Fire Truck Acquisition Bond	<u>175,000</u>	4.50%
Total	<u>\$775,100</u>	

In 2000 the Township issued a \$1,265,000 Fire Station Refunding Bond for the purposes of building a fire station in the Township. Final maturity is in 2020.

In 2015 the Township issued a \$450,000 Fire Station Improvement Bond for the purposes of building a fire station in the Township. Final maturity is in 2024.

In 2016 the Township issued a \$175,000 Fire Truck Acquisition Bond for the purposes of buying a new fire truck for the Township. Final maturity is in 2021.

In 2018 the Township issued a \$175,000 Ambulance Acquisition Bond for the purposes of buying a new fire truck for the Township. Final maturity is in 2025.

Amortization

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	2000 Fire Station Refunding Bond	2015 Fire Station Bond	2016 Fire Truck Acquisition Bond	2018 Ambulance Acquisition Bond
2019	\$111,818	\$46,200	\$35,500	\$22,000
2020	100,182	47,600	36,000	22,500
2021		48,900	18,500	24,000
2022		50,400		25,000
2023		51,700		26,000
2024-2028		53,300		55,500
Total	<u>\$212,000</u>	<u>\$298,100</u>	<u>\$90,000</u>	<u>\$175,000</u>

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Harlan Township

Warren County, Ohio

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$109,552	\$512,663	\$119,564	\$741,779
Charges for Services		54,233		54,233
Intergovernmental	51,831	238,224	8,485	298,540
Miscellaneous	19,528	42,866		62,394
<i>Total Cash Receipts</i>	<u>180,911</u>	<u>847,986</u>	<u>128,049</u>	<u>1,156,946</u>
Cash Disbursements				
Current:				
General Government	146,307			146,307
Public Works		373,471		373,471
Other		172,637		172,637
Capital Outlay		195,421		195,421
Debt Service:				
Principal Retirement		77,700	90,000	167,700
Payment to Refunded Bond Escrow Agent				
Interest and Fiscal Charges		13,937	19,740	33,677
<i>Total Cash Disbursements</i>	<u>146,307</u>	<u>833,166</u>	<u>109,740</u>	<u>1,089,213</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>34,604</u>	<u>14,820</u>	<u>18,309</u>	<u>67,733</u>
<i>Net Change in Fund Cash Balances</i>	34,604	14,820	18,309	67,733
<i>Fund Cash Balances, January 1</i>	<u>23,804</u>	<u>894,195</u>	<u>518,371</u>	<u>1,436,370</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	909,015	536,680	1,445,695
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	58,408	0	0	58,408
<i>Fund Cash Balances, December 31</i>	<u>\$58,408</u>	<u>\$909,015</u>	<u>\$536,680</u>	<u>\$1,504,103</u>

See accompanying notes to the basic financial statements

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Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

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

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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 & Bridge Fund The road and bridge fund accounts for and reports that portion of the property taxes and state revenue restricted for maintenance and repair of roads and bridges within the Township.

Fire Fund The fire fund accounts for and reports that portion of property taxes and state revenue restricted for fire department and ambulance services within the Township.

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 The bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements deemed to benefit the Township.

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Appropriations lapse at year end.

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Fund Balance

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

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

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

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

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

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

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$213,729	\$180,911	(\$32,818)
Special Revenue	1,709,709	847,986	(861,723)
Debt Service	643,371	128,049	(515,322)
Total	\$2,566,809	\$1,156,946	(\$1,409,863)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$213,729	\$146,307	\$67,422
Special Revenue	1,709,709	833,166	876,543
Debt Service	643,371	109,740	533,631
Total	\$2,566,809	\$1,089,213	\$1,477,596

Note 4 – Deposits and Investments

The Township maintains a deposits 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:

	20C17
Demand deposits	\$30,000
Other time deposits (savings and NOW accounts)	1,474,104
Total deposits	1,504,104

Deposits

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 – Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

The Township is uninsured for the following risks:

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2019</i>	<i>10%</i>	<i>14%</i>

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Social Security

Several Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

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

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 217. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2000 Fire Station Bond	\$561,000	5.25%
Fire Station Improvement Bond	\$450,000	2.85%
Fire Truck Acquisition Bond	<u>175,000</u>	2.15%
Total	<u>\$1,186,000</u>	

In 2000 the Township issued a \$1,265,000 Fire Station Refunding Bond for the purposes of building a fire station in the Township. Final maturity is in 2020.

In 2015 the Township issued a \$450,000 Fire Station Improvement Bond for the purposes of building a fire station in the Township. Final maturity is in 2024.

In 2016 the Township issued a \$175,000 Fire Truck Acquisition Bond for the purposes of buying a new fire truck for the Township. Final maturity is in 2021.

Amortization

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

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Year Ending December 31:	2000 Fire Station Refunding Bond	2015 Fire Station Bond	2016 Fire Truck Acquisition Bond
2018	\$110,936	\$44,900	\$34,500
2019	111,818	46,200	35,500
2020	114,332	47,600	36,000
2021		48,900	18,500
2022		50,400	
2023-2027		105,000	
Total	\$337,086	\$343,000	\$124,500

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SouthwestRegion@ohioauditor.gov

**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, (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated April 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2018-001 -- 2018-003 to be significant deficiencies.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

April 16, 2020

**HARLAN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDING NUMBER 2018-001

Significant Deficiency

All public officials and management are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the operation of their respective public offices, and to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions.

Leave records were not properly maintained during the audit period. The Fiscal Officer maintained a spreadsheet with an annual leave summary as well as detail per pay period; however, leave forms or an accurate running balance of leave was not maintained. This could result in leave being taken and not charged against the employee's accrued leave. The consistent use of forms would provide accuracy of leave records, which subsequently would decrease the possibility of errors and could be relied upon to settle discrepancies.

Failure to properly calculate leave balances could result in a lack of financial accountability and cause employees to be paid incorrect amounts. We recommend the Fiscal Officer review employee leave balances and accrual for accuracy. Leave forms should be utilized and approved by appropriate supervisory personnel. Leave forms should be submitted consistently by all employees and maintained on file for all leave requested and used.

We recommend the Township create and maintain a reliable system for tracking employees' leave balances.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-002

Significant Deficiency

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

The Township lacked controls to ensure accurate reporting of transactions and fund balances and made the following errors in the financial statements presented for audit:

- December 31, 2017 Special Revenue Restricted Fund Balance of \$909,015 was incorrectly classified as Unassigned Fund Balance.
- December 31, 2017 Debt Service Restricted Fund Balance of \$536,680 was incorrectly classified as Unassigned Fund Balance.
- December 31, 2018 Special Revenue Restricted Fund Balance of \$ 920,823 was incorrectly classified as Unassigned Fund Balance.
- December 31, 201 Debt Service Restricted Fund Balance of \$557,127 was incorrectly classified as Unassigned Fund Balance.

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

- 2018 Miscellaneous receipts were overstated by \$180,950, Sale of Bonds receipts were understated by \$175,000 and Intergovernmental receipts were understated by \$5,950

The District has corrected the financial statements to address the above errors.

Failure to prepare accurate financial statements increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

To strengthen the internal control structure and reduce the likelihood of undetected errors, the Township should review the financial statements for accuracy before they are filed with the Auditor of State.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-003

Significant Deficiency

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator is responsible for reviewing the reconciliations and related support.

The Fiscal Officer's reconciled bank balance at December 31, 2018 was \$2,468 more than the Township's cash balance reported on the financial statements. The financial statements and accounting records have not been adjusted for the \$2,468 variance. Failure to accurately and timely reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

We did not receive a response from Officials to this finding.

**HARLAN TOWNSHIP
WARREN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 149.351 Destruction of Public Records	Partially Corrected	Management Letter
2016-002	Ohio Rev. Code § 5705.41(D)(1) Nonencumbrance of Funds	Partially Corrected	Management Letter
2016-003	Posting of Financial Activity	Not Corrected	Reissued as Finding 2018-002
2016-004	Fund Balance Classifications	Not Corrected	Reissued as Finding 2018-002
2016-005	Leave Records	Not Corrected	Reissued as Finding 2018-001

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OHIO AUDITOR OF STATE KEITH FABER



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
MAY 5, 2020**