



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 of the cash balances, receipts and disbursements by fund type, and related notes of Harlan Township, Warren County, (the Township) as of and for the years ended December 31, 2016 and 2015.

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 opinions.

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2017, 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

August 22, 2017

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, 2016

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$114,682	\$568,100	\$113,543	\$796,325
Charges for Services		64,609		64,609
Intergovernmental	49,881	238,812	16,846	305,539
Special Assessments	1,433			1,433
Miscellaneous	2,537	67,304		69,841
<i>Total Cash Receipts</i>	<u>168,533</u>	<u>938,825</u>	<u>130,389</u>	<u>1,237,747</u>
Cash Disbursements				
Current:				
General Government	191,060		1,517	192,577
Public Safety		176,645		176,645
Public Works		149,235		149,235
Health		13,751		13,751
Other		170,360		170,360
Capital Outlay		477,460		477,460
Debt Service:				
Principal Retirement		59,000	84,000	143,000
Interest and Fiscal Charges		13,708	24,203	37,911
<i>Total Cash Disbursements</i>	<u>191,060</u>	<u>1,060,159</u>	<u>109,720</u>	<u>1,360,939</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,527)</u>	<u>(121,334)</u>	<u>20,669</u>	<u>(123,192)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources		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>	<u>(22,527)</u>	<u>53,666</u>	<u>20,669</u>	<u>51,808</u>
<i>Fund Cash Balances, January 1</i>	<u>46,331</u>	<u>840,529</u>	<u>497,702</u>	<u>1,384,562</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	894,195	518,371	1,412,566
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	23,804	0	0	23,804
<i>Fund Cash Balances, December 31</i>	<u>\$23,804</u>	<u>\$894,195</u>	<u>\$518,371</u>	<u>\$1,436,370</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, 2016**

Note 1 – Reporting Entity

The constitution and laws of 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.

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

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

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.

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

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.

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).

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 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 end of year.

Estimated Resources Estimated resources include estimates of cash to be received (budget receipts) plus unencumbered cash 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 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.

Capital Assets

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

Accumulated Leave

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

Fund Balances

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.

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 funds balances are intended for specific purposes but do not meet 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 residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,292	\$168,533	\$5,241
Special Revenue	812,515	1,113,825	301,310
Debt Service	113,000	130,389	17,389
Total	\$1,088,807	\$1,412,747	\$323,940

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$209,623	\$191,060	\$18,563
Special Revenue	1,653,043	1,060,159	592,884
Debt Service	610,703	109,720	500,983
Total	\$2,473,369	\$1,360,939	\$1,112,430

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 4 – Deposits

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

	2016
Demand deposits	<u>\$30,000</u>
Other time deposits (savings and NOW accounts)	1,406,370
Total deposits	<u><u>\$1,436,370</u></u>

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

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statement includes 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 is due following June 20.

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

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

Note 6 – Risk Management

The Township has obtained commercial insurance 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

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. 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, 2016.

Social Security

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)**

Note 7 – Defined Benefit Pension Plans (Continued)

The employee contributed 6.2% of his/her gross salary. The Township contributed an amount equal to 6.2% of participant's gross salary. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31 was as follows:

	Principal	Interest Rate
2000 Fire Station Bond	\$398,000	5.25%
Fire Station Improvement Bond	386,700	2.85%
Fire Truck Acquisition Bond	158,500	2.15%
Total	\$943,200	

The Fire Station Bond was acquired in 2000 for the construction of a new fire station to be paid off in 2020. The Fire Station Improvement Bond was acquired in 2015 for improvements made to the fire station. In 2016, the Township issued general obligation bonds to finance the purchase of a new fire truck. The bonds are collateralized by the Township's taxing authority.

Amortization

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

	Fire Station Bond	Fire Station Improvement Bond	Fire Truck Acquisition Bond
Year ending December 31:			
2017	\$109,740	\$54,412	\$37,225
2018	110,936	54,358	36,994
2019	111,818	54,368	37,247
2020	114,332	54,443	36,978
2021		54,376	18,699
2022-2024		163,240	
Total	\$446,826	\$435,197	\$167,143

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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, 2015

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$100,254	\$523,837	\$99,190	\$723,281
Charges for Services		56,652		56,652
Intergovernmental	61,223	198,956	15,548	275,727
Special Assessments	1,310			1,310
Earnings on Investments	4,453			4,453
Miscellaneous		56,418		56,418
<i>Total Cash Receipts</i>	<u>167,240</u>	<u>835,863</u>	<u>114,738</u>	<u>1,117,841</u>
Cash Disbursements				
Current:				
General Government	239,629		1,261	240,890
Public Safety		150,052		150,052
Public Works		142,220		142,220
Health		18,066		18,066
Other		153,145		153,145
Capital Outlay		577,354		577,354
Debt Service:				
Principal Retirement		20,800	79,000	99,800
Interest and Fiscal Charges		8,514	28,429	36,943
<i>Total Cash Disbursements</i>	<u>239,629</u>	<u>1,070,151</u>	<u>108,690</u>	<u>1,418,470</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(72,389)</u>	<u>(234,288)</u>	<u>6,048</u>	<u>(300,629)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources		450,000		450,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>450,000</u>	<u>0</u>	<u>450,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(72,389)</u>	<u>215,712</u>	<u>6,048</u>	<u>149,371</u>
<i>Fund Cash Balances, January 1</i>	<u>118,720</u>	<u>624,817</u>	<u>491,654</u>	<u>1,235,191</u>
Fund Cash Balances, December 31				
Nonspendable	0	0	0	0
Restricted	0	840,529	497,702	1,338,231
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	46,331	0	0	46,331
<i>Fund Cash Balances, December 31</i>	<u>\$46,331</u>	<u>\$840,529</u>	<u>\$497,702</u>	<u>\$1,384,562</u>

See accompanying notes to the basic financial statements 11

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**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 – Reporting Entity

The constitution and laws of 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.

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Note 2 – Summary of Significant Accounting Policies

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**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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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. Unencumbered appropriations lapse at end of year.

Estimated Resources Estimated resources include estimates of cash to be received (budget receipts) plus unencumbered cash 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 carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 budgetary activity appears in Note 3.

Deposits and Investments

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**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 funds balances are intended for specific purposes but do not meet 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 residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,040	\$167,240	\$6,200
Special Revenue	805,515	1,285,863	480,348
Debt Service	112,000	114,738	2,738
Total	\$1,078,555	\$1,567,841	\$489,286

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$279,761	\$239,629	\$40,132
Special Revenue	1,430,334	1,070,151	360,183
Debt Service	603,653	108,690	494,963
Total	\$2,313,748	\$1,418,470	\$895,278

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 4 – Deposits

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

	2015
Demand deposits	<u>\$30,000</u>
Other time deposits (savings and NOW accounts)	1,354,562
Total deposits	<u><u>\$1,384,562</u></u>

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

Note 5 – Property Taxes

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

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

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

Note 6 – Risk Management

The Township has obtained commercial insurance 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

Most of 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. 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, 2015.

Social Security

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

Note 7 – Defined Benefit Pension Plans (Continued)

The employee contributed 6.2% of the gross salary. The Township contributed an amount equal to 6.2% of participant’s gross salary. The Township has paid all contributions required through December 31, 2015.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31 was as follows:

	Principal	Interest Rate
2000 Fire Station Bond	\$482,000	5.25%
Fire Station Improvement Bond	429,200	2.85%
Total	\$911,200	

The Fire Station Bond was acquired in 2000 for the construction of a new fire station to be paid off in 2020. In 2015, the Fire Station Improvement Bond was acquired for improvements made to the fire station. The bonds are collateralized by the Township’s taxing authority.

Amortization

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

	Fire Station Bond	Fire Station Improvement Bond
Year ending December 31:		
2016	\$108,203	\$54,432
2017	109,740	54,412
2018	110,936	54,358
2019	111,818	54,368
2020	114,332	54,443
2021-2024		217,616
Total	\$555,029	\$489,629

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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 the cash balances, receipts, and disbursements by fund type of Harlan Township, Warren County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 22, 2017 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

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

August 22, 2017

HARLAN TOWNSHIP
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

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

FINDING NUMBER 2016-001

Noncompliance and Material Weakness

Ohio Rev. 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:

For the year ending December 31, 2016, 20 out of 33 (61%) purchase orders tested were not able to be located.

For the year ending December 31, 2015:

- 32 out of 43 (74%) purchase orders tested were not able to be located.
- Three out of four (75%) receipts were not able to be located.
- Two out of 43 (5%) invoices tested were not able to be located.

For the two missing invoices, we were able to match one to other payments to the same vendor, totaling to a contractual obligation and the other was acknowledged in writing by the recipient as having been for contractual services rendered as EMS Medical Director.

Failure to maintain proper documentation could result in difficulties supporting the actions taken by the elected officials.

We recommend that the Township maintain all records required by law.

Officials' Response:

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

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

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 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.

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.

In 2016 and 2015, 73% and 74% of disbursements transactions tested, respectively, were not properly encumbered, and none of the exceptions above applied. Also, the Township did not properly record outstanding encumbrances of \$77,426 and \$2,528, respectively, in the Special Revenue Funds.

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

FINDING NUMBER 2016-002
(Continued)

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.

Officials' Response:

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

FINDING NUMBER 2016-003

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Township lacked management oversight in the posting of financial activity. The Township did not properly report financial activity for the years ended December 31, 2016 and 2015 as noted in the following:

- In 2016 and 2015, the Township improperly recorded its tax property settlement receipts at the net amount instead of at the gross amount, causing \$16,098 and \$15,779, respectively, of expenses and property tax revenue to be understated as follows: General Fund \$7,536 and \$8,322; Road Fund \$2,523 and \$2,093; Fire Fund \$4,522 and \$4,103; and General Bond Fund \$1,517 and \$1,261.
- In 2016 and 2015, the Township improperly classified homestead and rollback receipts totaling \$109,231 and \$105,063, respectively, as property tax revenue instead of intergovernmental revenue, as follows: General Fund \$17,016 and \$15,704; Road Fund \$28,113 and \$25,854; Fire Fund \$47,256 and \$47,957; and, General Bond Fund \$16,846 and \$15,548.
- In 2016 and 2015, the Township improperly classified local government funding totaling \$32,865 and \$38,884, respectively, in the General Fund as property tax revenue instead of intergovernmental revenue.
- In 2016 and 2015, the Township improperly classified gas tax and cents per gallon receipts totaling \$89,186 and \$89,627, respectively, in the Gas Tax Fund as property tax revenue instead of intergovernmental revenue.

FINDING NUMBER 2016-003
(Continued)

- In 2016 and 2015, the Township improperly classified permissive tax receipts totaling \$9,785 and \$12,246, respectively, in the Township Motor Vehicle Fund as property tax revenue instead of intergovernmental revenue.
- In 2016 and 2015, the Township improperly classified motor vehicle license tax receipts totaling \$17,472 and \$17,161, respectively, in the Motor Vehicle Fund as property tax revenue instead of intergovernmental revenue.
- In 2016, the Township improperly classified special assessments receipts totaling \$1,433 in the General Fund as property tax revenue instead of special assessments revenue.
- In 2016 and 2015, the Township improperly classified EMS grant receipts totaling \$47,000 and \$5,250, respectively, in the Fire Fund as miscellaneous revenue instead of intergovernmental revenue.
- In 2016 and 2015, the Township improperly classified fire bond debt payments totaling \$72,708 and \$29,314, respectively, in the Fire Fund as capital outlay instead of \$59,000 and \$20,800 to principal retirement and \$13,708 and \$8,514 to interest and fiscal charges.
- In 2016, the Township improperly classified Fire Truck Acquisition Bond Proceeds totaling \$175,000 in the Fire Fund as Miscellaneous Revenue instead of Other Financing Sources - Sale of Bonds.
- In 2016 and 2015, the Township improperly classified Road Fund expenditures totaling \$59,644 and \$50,989, respectively, as public safety expense instead of public works expense.
- In 2016 and 2015, the Township improperly classified Cemetery Fund expenditures totaling \$13,751 and \$18,066, respectively, as public works expense instead of health expense.
- In 2016, the Township misclassified Gas Tax Fund expenditures totaling \$64,162 as public safety expense instead of public works expense.
- In 2015, the Township improperly recorded its estate tax receipts at the net amount instead of at the gross amount. This caused \$576 of General Fund expenses and intergovernmental revenue to be understated. In addition, the Township misclassified the remaining \$5,244 amount as property tax revenue instead of intergovernmental revenue.
- In 2015, the Township improperly classified its tangible personal property replacement tax receipts totaling \$1,456 as property tax revenue instead of intergovernmental revenue, as follows: General Fund \$595 and Road Fund \$861.
- In 2015, the Township improperly classified liquor permit fees receipts totaling \$220 in the General Fund as licenses, permits, and fees revenue instead of intergovernmental revenue.
- In 2015, the Township improperly classified Fire Station Improvement Bond proceeds totaling \$450,000 in the Fire Fund as miscellaneous revenue instead of other financing sources – sale of bonds.

The Township has posted these reclassifications to the financial statements.

**FINDING NUMBER 2016-003
(Continued)**

The Township does not have procedures in place for effective monitoring of the Township's financial activity recorded in the underlying accounting records and reporting in the financial statements. Failure to accurately report financial activity can result in inaccurate financial statements.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and assist in properly reflecting the Township's financial activity in the underlying accounting records to assist in properly presenting all activities in the financial statements. The Township should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information. We also recommend the Fiscal Officer review the Ohio Township Handbook online:

<https://ohioauditor.gov/publications/Final%20Township%20Handbook%202016.pdf>

Officials' Response:

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

FINDING NUMBER 2016-004

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and performing analytical procedures to determine the reasonableness of financial data.

The Township did not accurately apply Governmental Accounting Standards Board (GASB) Statement 54 when classifying December 31, 2016 and 2015 fund balances. These misclassifications are noted below:

2016 Special Revenue Funds

- Ending Unassigned Fund Balance was overstated by \$894,194
- Ending Restricted Fund Balance was understated by \$894,194

2016 Debt Service Fund

- Ending Unassigned Fund Balance was overstated by \$518,371
- Ending Restricted Fund Balance was understated by \$518,371

2015 Special Revenue Funds

- Ending Unassigned Fund Balance was overstated by \$840,529
- Ending Restricted Fund Balance was understated by \$840,529

2015 Debt Service Fund

- Ending Unassigned Fund Balance was overstated by \$497,703
- Ending Restricted Fund Balance was understated by \$497,703

Adjustments to correct the errors above are reflected in the financial statements and notes.

**FINDING NUMBER 2016-004
 (Continued)**

When fund balances are not accurately classified, Township officials and management do not have accurate information as to the amount of fund balances that are restricted or committed for specific purposes.

We recommend that the Township develop and implement procedures to ensure accurate accounting for year-end fund balances. We also recommend that the Township review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement 54.

Officials' Response:

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

FINDING NUMBER 2016-005

Material Weakness

The Township's leave policy, adopted April 3, 2002 and subsequently amended, states that up to 20 days (i.e. 160 hours) of sick leave and 40 hours of comp time may be accumulated by an employee but does not contain a provision for vacation leave to be carried over from one year to the next. If the employee leaves the Township's employment, only vacation leave will be paid out.

The Township does not utilize leave forms and does not adequately track the employees' leave usage and leave balances, as follows:

Larry Burchett – 2016					
Source	Type	1/1/16 Balance in Hours	Annual Hours Accumulated or Earned	Hours Used	12/31/16 Balance in Hours^
Per Fiscal Officer's spreadsheet	Vacation	0.00	80.00	(10.50)	61.50
	Sick	0.00	95.00	(0.00)	95.00
	Comp	4.13	7.88	0.00	6.38
Per AOS recalculation **	Vacation	0.00	80.00	(90.50)	(10.50)
	Sick	36.00	40.00	(80.00)	(4.00)
	Comp ^{^^}	4.13	1.50	0.00	5.63

Timothy Williams – 2016					
Source	Type	1/1/16 Balance in Hours	Annual Hours Accrued or Earned	Hours Used	12/31/16 Balance in Hours^
Per Fiscal Officer's spreadsheet	Vacation	0.00	13.50	(0.00)	13.50
	Sick	0.00	299.00	(0.00)	299.00
	Comp	66.76	16.50	(0.00)	83.26
Per AOS recalculation **	Vacation	0.00	120.00	(98.50)	21.50
	Sick	27.50	40.00	(12.50)	55.00
	Comp ^{^^}	40.00	16.50	0.00	23.50

**FINDING NUMBER 2016-005
 (Continued)**

Larry Burchett – 2015					
Source	Type	1/1/15 Balance in Hours	Annual Hours Accrual or Earned	Hours Used	12/31/15 Balance in Hours [^]
Per Fiscal Officer's spreadsheet	Vacation	0.00	80.00	(8.00)	72.00
	Sick	0.00	135.00	(0.00)	135.00
	Comp	6.38	4.13	(0.00)	4.13
Per AOS recalculation **	Vacation	0.00	80.00	(51.00)	29.00
	Sick	0.00	40.00	(4.00)	36.00
	Comp ^{^^}	0.00	4.13	0.00	4.13

Timothy Williams – 2015					
Source	Type	1/1/15 Balance in Hours	Annual Hours Accrual or Earned	Hours Used	12/31/15 Balance in Hours [^]
Per Fiscal Officer's spreadsheet	Vacation	0.00	16.00	(104.50)	16.00
	Sick	0.00	270.00	(0.00)	270.00
	Comp	0.00	81.76	(0.00)	81.76
Per AOS recalculation **	Vacation	0.00	120.00	(98.50)	21.20
	Sick	0.00	40.00	(12.50)	27.50
	Comp ^{^^}	0.00	81.76	0.00	81.76

[^]Ending balances “per fiscal officer’s spreadsheet” are shown exactly as reflected in the spreadsheet and do not necessarily recalculate correctly.

^{**}Auditor of State (AOS) recalculations made based upon the Township’s leave policy and the detailed usage shown on the Fiscal Officer’s spreadsheet.

^{^^}The comp time amounts earned and used are as indicated on the annual summary portion of the Fiscal Officer’s spreadsheet.

According to the Fiscal Officer’s leave spreadsheet and contrary to the Township’s leave policy, an employee was allowed to carry over a sick leave balance in excess of 160 hours. The Township’s leave policy provides for a sick leave accrual rate of 40 hours per year for all employees, and the Fiscal Officer’s spreadsheet had accrual rates for that employee of 299 hours in 2016 and 270 hours in 2015. However, our recalculation showed that the employee did not use sick leave in excess of 160 hours.

An accurate running balance of leave is not maintained and the Township’s leave policy is not consistently applied. This could result in leave being taken and not charged against the employee’s accrued leave. Leave forms should be utilized and should be approved by appropriate supervisory personnel. Leave forms should be submitted consistently by all employees and maintained on file for all leave requested and used. 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. Also, due care should be used when recording leave records. This will decrease the risk of overpaying or underpaying employees for leave.

We recommend that the Township determine a method for keeping track of leave balances and require the use of leave request forms which are submitted by the employee, approved by the supervisor, and maintained on file by the Township. The method that is currently being utilized by the Fiscal Officer is neither complete nor accurate.

**FINDING NUMBER 2016-005
(Continued)**

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, 2016

Finding Number	Finding Summary	Status	Additional Information
2014-001	ORC §149.351 missing public records	Not Corrected	Reissued as Finding Number 2016-001
2014-002	ORC § 5705.41(D)(1) nonencumbrance of funds	Not Corrected	Reissued as Finding Number 2016-002
2014-003	OAC § 117-2-02 (A) posting errors resulting from lack of oversight	Not Corrected	Reissued as Finding Number 2016-003
2014-004	ORC § 5705.39 appropriations exceeded estimated resources	Corrected	

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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
SEPTEMBER 19, 2017**