



OHIO AUDITOR OF STATE
KEITH FABER



HARLAN TOWNSHIP
WARREN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Harlan Township
Warren County
9120 Morrow Rossburg Road
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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Harlan Township, Warren County, Ohio (the Township).

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(C) 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 2 of the 2020 financial statements and Note 1B of the 2019 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(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Efficient • Effective • Transparent

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(C) 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, 2020 and 2019, and the respective changes in financial position thereof for the year 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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2 in 2020 and Note 1B in 2019.

Emphasis of Matter

As discussed in Note 11 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2022, 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
May 17, 2022

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, 2020

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$128,875	\$600,919	\$127,598	\$857,392
Charges for Services		88,701		88,701
Licenses, Permits and Fees		9,500		9,500
Intergovernmental	55,796	526,980	18,208	600,984
Special Assessments	1,288			1,288
Earnings on Investments	2,545	90		2,635
Miscellaneous	44,119	115,272		159,391
<i>Total Cash Receipts</i>	<u>232,623</u>	<u>1,341,462</u>	<u>145,806</u>	<u>1,719,891</u>
Cash Disbursements				
Current:				
General Government	165,066	29,763		194,829
Public Safety		396,427	907	397,334
Public Works	1,385	422,126		423,511
Health	3,865	1,012		4,877
Conservation-Recreation	5,045			5,045
Debt Service:				
Principal Retirement		236,600	110,000	346,600
Interest and Fiscal Charges		12,242	3,609	15,851
<i>Total Cash Disbursements</i>	<u>175,361</u>	<u>1,098,170</u>	<u>114,516</u>	<u>1,388,047</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>57,262</u>	<u>243,292</u>	<u>31,290</u>	<u>331,844</u>
<i>Net Change in Fund Cash Balances</i>	57,262	243,292	31,290	331,844
<i>Fund Cash Balances, January 1</i>	<u>155,551</u>	<u>922,123</u>	<u>588,406</u>	<u>1,666,080</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$212,813</u></u>	<u><u>\$1,165,415</u></u>	<u><u>\$619,696</u></u>	<u><u>\$1,997,924</u></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, 2020

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 Fund:

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, 2020

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 (C). 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 (C) 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 2020 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, 2020

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, 2020

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$173,612	\$232,623	\$59,011
Special Revenue	862,500	1,341,462	478,962
Debt Service	139,000	145,806	6,806
Total	\$1,175,112	\$1,719,891	\$544,779

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$328,145	\$175,361	\$152,784
Special Revenue	1,784,590	1,098,170	686,420
Debt Service	727,408	114,516	612,892
Total	\$2,840,143	\$1,388,047	\$1,452,096

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:

	2019
Demand deposits	\$30,000
Insured Cash Sweep (ICS)	1,967,924
Total deposits and Investments	1,997,924

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, 2020

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Township 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, 2020.

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, 2020.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

Fire Station Improvement Bond	\$204,300	2.85%
Fire Truck Acquisition Bond	<u>\$18,500</u>	2.15%
Total	<u>\$222,800</u>	

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

<u>Year Ending</u> <u>December 31:</u>	<u>General</u> <u>Obligation Bonds</u>
2021	\$73,075
2022	\$54,473
2023	\$54,326
2024	<u>\$54,441</u>
Total:	<u>\$236,316</u>

Note 10 - Fund Balance

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years. The Township did not hold any unclaimed monies. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the Township did not hold any outstanding encumbrances.

The fund balance of special revenue funds is either restricted or committed. These restricted or committed

amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Harlan Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact of the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township received \$265,572 from the CARES Act. Interest on funds during the period totaled \$6. \$29,763 of the funds were used during 2020 for EMS related equipment and supplies.

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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, 2019

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$127,719	\$591,251	\$126,448	\$845,418
Charges for Services		89,913		89,913
Licenses, Permits and Fees		5,730		5,730
Intergovernmental	54,342	243,483	18,171	315,996
Special Assessments	1,358			1,358
Earnings on Investments	18,541	496		19,037
Miscellaneous	14,356	86,648		101,004
<i>Total Cash Receipts</i>	<u>216,316</u>	<u>1,017,521</u>	<u>144,619</u>	<u>1,378,456</u>
Cash Disbursements				
Current:				
General Government	158,248			158,248
Public Safety		208,245	1,521	209,766
Public Works		234,275		234,275
Health	4,032	13,311		17,343
Other		168,965		168,965
Capital Outlay		270,431		270,431
Debt Service:				
Principal Retirement		103,700	102,000	205,700
Interest and Fiscal Charges		17,295	9,818	27,113
<i>Total Cash Disbursements</i>	<u>162,280</u>	<u>1,016,222</u>	<u>113,339</u>	<u>1,291,841</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>54,036</u>	<u>1,299</u>	<u>31,280</u>	<u>86,615</u>
<i>Net Change in Fund Cash Balances</i>	54,036	1,299	31,280	86,615
<i>Fund Cash Balances, January 1</i>	<u>101,515</u>	<u>920,824</u>	<u>557,126</u>	<u>1,579,465</u>
<i>Fund Cash Balances, December 31</i>				
<i>Restricted</i>		922,123	588,406	1,510,529
<i>Assigned</i>	154,533			154,533
<i>Unassigned (Deficit)</i>	1,018			1,018
<i>Fund Cash Balances, December 31</i>	<u>\$155,551</u>	<u>\$922,123</u>	<u>\$588,406</u>	<u>\$1,666,080</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, 2019

1. Summary of Significant Accounting Policies

A. Description of the 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.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C). This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than 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(C) permit.

C. Deposits and Investments

The Township's accounting basis includes an interest-bearing checking account and money market mutual fund. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sales as receipts and disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2. Special Revenue Funds

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

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

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

3. Debt Service Funds

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

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

E. Budgetary Process

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

1. Appropriations

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

2. 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.

3. Encumbrances

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

F. 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:

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

Assigned 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.

5. 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.

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

G. Property, Plant and Equipment

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

H. 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.

2. Equity in Pooled Deposits and Investments

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

	<u>2019</u>
Demand deposits	\$14,119
Insured Cash Sweep (ICS)	<u>1,651,961</u>
Total deposits and Investments	<u>1,666,080</u>

3. Budgetary Activity

Contrary to Ohio law, appropriations exceeded the amount certified as available by the budget commission in the General, Road & Bridge, Cemetery, Fire & EMS, and General Bond Retirement funds by \$13,605, \$116,550, \$1,423, \$136,729, and \$10,446, respectively, for the year ended December 31, 2019.

4. Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$161,113	\$216,316	\$55,203
Special Revenue	848,200	1,017,521	169,321
Debt Service	137,000	144,619	7,619
Total	\$1,146,313	\$1,378,456	\$232,143

2019 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$246,019	\$162,280	\$83,739
Special Revenue	1,733,918	1,016,222	717,696
Debt Service	694,128	113,339	580,789
Total	\$2,674,065	\$1,291,841	\$1,382,224

5. Property Tax

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

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

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

6. Debt

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2000 Fire Station Bond	\$110,000	5.25%
Fire Station Improvement Bond	\$251,900	2.85%
Fire Truck Acquisition Bond	\$ 54,500	2.15%
Ambulance Acquisition Bond	<u>\$153,000</u>	4.50%
Total	<u>\$569,400</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 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 ambulance for the Township. Final maturity is in 2025.

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

<u>Year Ending</u> <u>December 31:</u>	<u>Obligation Bonds</u>
2020	\$235,137
2021	102,948
2022	84,265
2023	83,994
2024	84,439
2025	<u>29,260</u>
Total:	<u>\$620,043</u>

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

7. Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019 OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of the participant's gross salaries. The Township had paid all contributions required through December 31, 2019.

B. Social Security

Two of the Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2% of their gross salaries. The Township contributed an amount equal to 6.2% of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

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% during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0% during calendar year 2019. OP&F contributes 0.5% to fund these benefits. Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

9. Risk Management

The Township has obtained commercial insurance for the following risks:

Comprehensive property and general liability

HARLAN TOWNSHIP
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Vehicles and
Errors and omissions.

OHIO AUDITOR OF STATE KEITH FABER



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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
9120 Morrow Rossburg Road
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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Harlan Township, Warren County, (the Township) and have issued our report thereon dated May 17, 2022, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 2020-001, 2020-002 and 2020-003 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 financial statement. 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 an instance of noncompliance or other matters we must report under Government Auditing Standards, which is described in the accompanying schedule of findings as item 2020-004.

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
May 17, 2022

**HARLAN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Material Weakness

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.

We noted the following errors with financial reporting in 2020 and 2019:

2019					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Classification	Amount	Fund	Classification	Amount
General	Property Taxes	\$19,710	General	Intergovernmental	\$18,352
				Special Assessment	\$1,358
The Township incorrectly recorded General Fund Intergovernmental and Special Assessment receipts as Property Taxes.					
General Bond Retirement	Property Taxes	\$18,171	General Bond Retirement	Intergovernmental	\$18,171
The Township incorrectly recorded General Bond Retirement Fund Intergovernmental Homestead and Rollback receipts as Property Taxes.					
Road and Bridge	Property Taxes	\$30,278	Road and Bridge	Intergovernmental	\$30,278
The Township incorrectly recorded Road and Bridge Fund Homestead and Rollback Intergovernmental receipts as Property Taxes.					
Fire & Rescue	Property Taxes	\$47,521	Fire & Rescue	Intergovernmental	\$56,423
	Miscellaneous	\$8,902			
The Township incorrectly recorded Fire & Rescue Fund Homestead and Rollback Intergovernmental receipts as Property Taxes and Miscellaneous.					
None			General	Property Taxes	\$6,041
				General Government	\$2,008
				Health	\$4,033
The Township posted tax settlement receipts at net rather than gross for the General Fund.					
General	Miscellaneous	\$18,541	General	Earnings on Investments	\$18,541
The Township recorded General Fund Earnings on Investments receipts incorrectly to Miscellaneous receipts.					
Fire & Rescue	Public Works	\$204,001	Fire & Rescue	Public Safety	\$204,001

FINDING NUMBER 2020-001
(Continued)

The Township incorrectly recorded Fire & Rescue Public Safety disbursements as Public Works.					
Fire & Rescue	Capital Outlay	\$120,995	Fire & Rescue	Principal Retirement	\$103,700
				Interest & Fiscal Charges	\$17,295
The Township incorrectly recorded Fire & Rescue Principal Retirement Payments and Interest & Fiscal Charges as Capital Outlay.					
General	Unassigned	\$154,533	General Fund	Assigned	\$154,533
The Township incorrectly recorded General Fund assigned fund balance as unassigned.					
Special Revenue	Unassigned	\$922,121	Special Revenue	Restricted	\$922,121
The Township incorrectly recorded Special Revenue restricted fund balance as unassigned.					
General Bond Retirement	Unassigned	\$588,408	General Bond Retirement	Restricted	\$588,408
The Township incorrectly recorded Debt Service restricted fund balance as unassigned.					
Permissive Motor Vehicle License Tax	Intergovernmental	\$28,618	Permissive Motor Vehicle License Tax	Property Taxes	\$28,618
The portion of Permissive Motor Vehicle License levied by the Township was incorrectly recorded as Intergovernmental and should be recorded as Property Taxes.					
2020					
General	Property Taxes	\$10,463	General	Intergovernmental	\$9,175
				Special Assessment	\$1,288
The Township incorrectly recorded General Fund Intergovernmental and Special Assessment receipts as Property Taxes.					
Permissive Motor Vehicle License Tax	Property Taxes	\$20,191	Permissive Motor Vehicle License Tax	Intergovernmental	\$20,191
The Township incorrectly recorded Permissive Motor Vehicle License Tax Fund Intergovernmental receipts as Property Taxes					
	None		General	Property Taxes	\$11,336
				General Government	\$7,471
				Health	\$3,865

**FINDING NUMBER 2020-001
 (Continued)**

The Township posted tax settlement receipts at net rather than gross for the General Fund.					
General	Earnings on Investments	\$14,658	General	Miscellaneous Receipts	\$44,119
	Other Financing Sources	\$29,461			
The Township incorrectly recorded General Fund Miscellaneous Receipts into Earnings on Investments and Other Financing Sources.					
Special Levy	Beginning Fund Balance	\$588,408	General Bond Retirement	Beginning Fund Balance	\$588,408
	Property Taxes	\$135,775		Property Taxes	\$127,598
	Intergovernmental	\$9,124		Intergovernmental	\$18,208
	Interest & Fiscal Charges	\$113,609		Public Safety	\$907
				Principal Retirement	\$110,000
			Interest & Fiscal Charges	\$3,609	
The Township incorrectly recorded the Debt Service General Bond Retirement activity as Special Revenue Special Levy. The Township also incorrectly recorded property taxes at net rather than gross.					
Fire & Rescue	Public Safety	\$248,842	Fire & Rescue	Principal Retirement	\$236,600
				Interest & Fiscal Charges	\$12,242
The Township incorrectly recorded Fire & Rescue Principal Retirement and Interest & Fiscal Charges Payments as Public Safety.					

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

The Township also made errors in financial reporting in the Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$496 to \$28,501 in 2020 and 2019.

The Township corrected the financial statements and accounting records, where appropriate.

To help ensure the Township's financial statements are complete and accurate, the Township should implement internal control procedures to identify and correct errors and omissions in the recording of financial transactions.

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2020-002

Material Weakness

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township contracted with Medicount to provide Emergency Medical Service (EMS) billing services. The Township is required to reconcile Medicount reports and notify Medicount of any errors, omissions, or discrepancies in a timely manner, which is a significant accounting function.

Accurate, timely accounting and reconciliation procedures are key components of an effective accounting system and internal controls required to enable the Township to properly classify transactions, maintain accountability for funds, distribute funds accurately and detect fraud and errors in a timely manner.

The Township obtained the required Type 2 SOC 1 report, but did not perform a reconciliation of the EMS receipts received by the Township and the monthly detail reports from Medicount. If the Township is not receiving detailed reports from Medicount they should request this information from Medicount monthly.

We recommend that the Township perform a reconciliation each month between the amounts received and the detailed reports from Medicount. Any noted variances should be investigated. Auditors were able to use alternative procedures to confirm billings paid to the Township agreed to the Township system reports.

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2020-003

Material Weakness

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.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

**FINDING NUMBER 2020-003
 (Continued)**

Estimated Resources	Certificate of Estimated Resources	Amount Posted to System	Variance
General Fund - 2019	\$161,113	\$0	\$161,113
Special Revenue Funds - 2019	\$848,200	\$0	\$848,200
Debt Service Fund - 2019	\$137,000	\$0	\$137,000
Gas Fund - 2020	\$90,500	\$120,500	(\$30,000)
Special Levy Fund - 2020	\$0	\$139,000	(\$139,000)
COVID Relief Fund - 2020	\$0	\$242,905	(\$242,905)
Gen Bond Retirement Fund - 2020	\$139,000	\$0	\$139,000

Appropriations	Appropriation Resolutions	Amount Posted to System	Variance
MVL Fund - 2019	\$51,835	\$0	\$51,835
Road & Bridge - 2019	\$474,593	\$344,593	\$130,000
Gas Fund - 2020	\$138,973	\$156,973	(\$18,000)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2020-004

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2019 the Township's appropriations exceeded the amount certified as available by the budget commission in the General, Road & Bridge, Cemetery, Fire & EMS, and General Bond Retirement funds by \$13,605, \$116,550, \$1,423, \$136,729, and \$10,446, respectively.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

**FINDING NUMBER 2020-004
(Continued)**

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board to reduce the appropriations.

Officials' Response:

The Township Officials did not respond to the finding above.

HARLAN TOWNSHIP
WARREN COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Leave records not being properly maintained	Fully Corrected	
2018-002	Incorrect posting of financial activity and fund balance reclassifications	Not Corrected	Reissued as Finding 2020-001
2018-003	Cash Balance not reconciled	Fully Corrected	

OHIO AUDITOR OF STATE KEITH FABER



HARLAN TOWNSHIP

WARREN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 6/2/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
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