



**Auditor of State
Betty Montgomery**

HARLAN TOWNSHIP
WARREN COUNTY

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**Auditor of State
Betty Montgomery**

Harlan Township
Warren County
9120 Morrow-Rossburg Road
Pleasant Plain, Ohio 45162

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 20, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Harlan Township
Warren County
9120 Morrow-Rossburg Road
Pleasant Plain, Ohio 45162

To the Board of Trustees:

We have audited the accompanying financial statements of Harlan Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Harlan Township, Warren County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

January 20, 2006

**HARLAN TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$86,244	\$379,792	\$127,501	\$593,537
Intergovernmental	71,516	221,043	23,097	315,656
Earnings on Investments	6,170	2,064	921	9,155
Other Revenue	2,544	13,676	0	16,220
	<u>166,474</u>	<u>616,575</u>	<u>151,519</u>	<u>934,568</u>
Cash Disbursements:				
Current:				
General Government	168,544	5,924	2,167	176,635
Public Safety	0	141,697	0	141,697
Public Works	427	277,604	0	278,031
Health	0	17,544	0	17,544
Conservation - Recreation	526	0	0	526
Debt Service:	0	0	0	
Redemption of Principal	0	0	39,000	39,000
Interest and Fiscal Charges	0	0	61,088	61,088
Capital Outlay	0	130,129	0	130,129
	<u>169,497</u>	<u>572,898</u>	<u>102,255</u>	<u>844,650</u>
Total Receipts Over/(Under) Disbursements	<u>(3,023)</u>	<u>43,677</u>	<u>49,264</u>	<u>89,918</u>
Other Financing Receipts:				
Other Sources	<u>0</u>	<u>9,600</u>	<u>0</u>	<u>9,600</u>
Total Other Financing Receipts	<u>0</u>	<u>9,600</u>	<u>0</u>	<u>9,600</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(3,023)	53,277	49,264	99,518
Fund Cash Balances, January 1	<u>371,670</u>	<u>435,456</u>	<u>54,072</u>	<u>861,198</u>
Fund Cash Balances, December 31	<u>\$368,647</u>	<u>\$488,733</u>	<u>\$103,336</u>	<u>\$960,716</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$2,376</u>	<u>\$0</u>	<u>\$2,376</u>

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$74,648	\$348,386	\$113,054	\$0	\$536,088
Intergovernmental	236,149	106,313	6,892	0	349,354
Earnings on Investments	3,279	1,289	386	0	4,954
Other Revenue	4,508	16,874	0	0	21,382
Total Cash Receipts	<u>318,584</u>	<u>472,862</u>	<u>120,332</u>	<u>0</u>	<u>911,778</u>
Cash Disbursements:					
Current:					
General Government	124,704	5,391	1,975	0	132,070
Public Works	466	401,625	0	0	402,091
Health	0	6,314	0	0	6,314
Conservation - Recreation	383	0	0	0	383
Debt Service:					
Redemption of Principal	0	7,500	37,000	0	44,500
Interest and Fiscal Charges	0	244	74,375	0	74,619
Capital Outlay	1,210	52,420	0	0	53,630
Total Cash Disbursements	<u>126,763</u>	<u>473,494</u>	<u>113,350</u>	<u>0</u>	<u>713,607</u>
Total Receipts Over/(Under) Disbursements	<u>191,821</u>	<u>(632)</u>	<u>6,982</u>	<u>0</u>	<u>198,171</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	0	0	35,198	35,198
Transfers-Out	(35,198)	0	0	0	(35,198)
Other Sources	0	1,400	0	0	1,400
Total Other Financing Receipts/(Disbursements)	<u>(35,198)</u>	<u>1,400</u>	<u>0</u>	<u>35,198</u>	<u>1,400</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>156,623</u>	<u>768</u>	<u>6,982</u>	<u>35,198</u>	<u>199,571</u>
Fund Cash Balances, January 1	<u>215,047</u>	<u>434,688</u>	<u>47,090</u>	<u>(35,198)</u>	<u>661,627</u>
Fund Cash Balances, December 31	<u>\$371,670</u>	<u>\$435,456</u>	<u>\$54,072</u>	<u>\$0</u>	<u>\$861,198</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$942</u>	<u>\$0</u>	<u>\$0</u>	<u>\$942</u>

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Harlan Township, Warren County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

During 2004 and 2003, the Township's funds were held in an interest bearing checking account and money market account.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds are recorded at share values reported by the mutual fund.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire District Fund – This fund receives proceeds from the property tax fire levy for fire protection.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following Debt Service Fund:

Bond Retirement Fund – These funds are used to pay off the debt related to the construction of the new fire station

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following capital project fund:

Fire Station Fund – This fund was used to pay for 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. 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. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$9,743	\$23,562
Total deposits	9,743	23,562
Money Market Mutual Fund	950,973	837,636
Total investments	950,973	837,636
Total deposits and investments	\$960,716	\$861,198

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$223,878	\$166,474	(\$57,404)
Special Revenue	520,700	626,175	105,475
Debt Service	125,000	151,519	26,519
Total	\$869,578	\$944,168	\$74,590

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$595,548	\$169,497	\$426,051
Special Revenue	956,155	575,274	380,881
Debt Service	179,073	102,255	76,818
Total	\$1,730,776	\$847,026	\$883,750

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$200,960	\$318,584	\$117,624
Special Revenue	617,590	474,262	(143,328)
Debt Service	120,800	120,332	(468)
Capital Projects	0	35,198	35,198
Total	\$939,350	\$948,376	\$9,026

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$395,561	\$161,961	\$233,600
Special Revenue	1,026,145	474,436	551,709
Debt Service	168,778	113,350	55,428
Capital Projects	0	0	0
Total	\$1,590,484	\$749,747	\$840,737

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Fire Station Bonds	\$ 1,123,000	5.25%

The Fire Station Bonds were acquired in 2001 for the construction of a new fire station. The bonds are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	
2005	\$99,433
2006	100,254
2007	100,891
2008	101,371
2009	102,720
2010-2014	522,586
2015-2019	548,125
2020	114,331
Total	\$1,689,711

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. SUBSEQUENT EVENT

On August 17, 2005, the Township issued \$350,000 of Firetruck Acquisition Bonds, Series 2005. The Bonds shall bear interest at the rate of 4.50% payable on each March 1 and September 1, commencing March 1, 2006, until maturity on September 1, 2010.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 the financial statements of Harlan Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated January 20, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated January 20, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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, providing an opinion 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 2004-001 and 2004-002. In a separate letter to the Township's management dated January 20, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

January 20, 2006

HARLAN TOWNSHIP
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet any such contract or expenditure has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than three thousand dollars 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 Board of Trustees.

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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 Board of Trustees may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for 90% of expenditures tested in 2003 and 80% in 2004. Failure to obtain proper certification may result in negative cash balances or overspending of funds.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk 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.

**FINDING NUMBER 2004-001
 (Continued)**

We recommend the Township officials and employees obtain the Clerk'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 Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2004-002

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been properly appropriated. Expenditures plus encumbrances exceeded appropriations at the legal level of control for the following line items at the indicated year end:

<u>Year</u>	<u>Line Item</u>	<u>Expenditures +Encumbrances</u>	<u>Appropriations</u>	<u>Variance</u>
2004	1a2a	\$29,235.46	\$26,000	\$(3,235.46)
2004	1a15	9,277.62	7,500	(1,777.62)
2004	1f8	525.71	500	(25.71)
2004	4a4	21,904.24	15,000	(6,904.24)
2004	4a6	39,141.90	20,000	(19,141.90)
2004	4b3	101,841.03	100,000	(1,841.03)
2004	10a8	105,233.34	65,000	(40,233.34)
2003	1a1	33,491.28	30,000	(3,491.28)
2003	1a15a	1,683.94	1,500	(183.94)
2003	1a17	7,513.68	5,000	(2,513.68)
2003	4a4	12,206.40	7,000	(5,206.40)
2003	4a9	8,771.18	8,000	(771.18)
2003	4b1	16,605.48	7,000	(9,605.48)
2003	10a10	41,316.86	40,000	(1,316.86)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**HARLAN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Rev. Code Section 5705.39, appropriations should not exceed estimated revenue	Yes	
2002-02	Ohio Rev. Code Section 5705.41(B), expenditures in excess of appropriations	No	Reissued as 2004-002
2002-003	Ohio Rev. Code Section 5705.41(D), availability of funds was not certified	No	Reissued as 2004-001
2002-004	Ohio Rev. Code Section 5705.36, certify to the county auditor the total amount from all sources available for expenditures	Yes	
2002-005	Ohio Rev. Code Section 5705.10, negative fund balances	No	Partially Corrected-Reissued in the Management Letter
2002-006	Ohio Rev. Code Section 135.14 (O) for no investment policy	Yes	
2002-007	Ohio Rev. Code Section 507.04, for not keeping accurate records and several admin cites	Yes	



**Auditor of State
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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
FEBRUARY 23, 2006**