



**Auditor of State
Betty Montgomery**

HARLAN TOWNSHIP
WARREN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Harlan Township
Warren County
P.O. Box 160
Pleasant Plain, Ohio 45162

To the Township 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, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 11, 2003

**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, 2002**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$72,197	\$309,855	\$107,406	\$0	\$489,458
Intergovernmental	119,661	146,686	13,316	0	279,663
Earnings on Investments	4,790	3,709	0	0	8,499
Other Revenue	49,970	52,148	36,781	30,000	168,899
Total Cash Receipts	246,618	512,398	157,503	30,000	946,519
Cash Disbursements:					
Current:					
General Government	140,819	52,531	1,944	0	195,294
Public Safety	0	155,134	0	0	155,134
Public Works	58,865	201,096	0	0	259,961
Health	0	9,074	0	0	9,074
Conservation - Recreation	113	0	0	0	113
Debt Service:					
Redemption of Principal	0	7,500	66,000	0	73,500
Interest and Fiscal Charges	0	487	77,531	0	78,018
Capital Outlay	4,875	26,707	0	57,954	89,536
Total Cash Disbursements	204,672	452,529	145,475	57,954	860,630
Total Receipts Over/(Under) Disbursements	41,946	59,869	12,028	(27,954)	85,889
Fund Cash Balances, January 1	173,101	374,819	35,062	(7,244)	575,738
Fund Cash Balances, December 31	\$215,047	\$434,688	\$47,090	(\$35,198)	\$661,627
Reserve for Encumbrances, December 31	\$1,269	\$2,301	\$0	\$0	\$3,570

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, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$71,104	\$324,628	\$105,584	\$0	\$501,316
Intergovernmental	111,370	135,532	12,715	0	259,617
Earnings on Investments	34,153	15,096	0	0	49,249
Other Revenue	115,537	55,042	0	335,160	505,739
Total Cash Receipts	332,164	530,298	118,299	335,160	1,315,921
Cash Disbursements:					
Current:					
General Government	264,033	3,063	4,174	0	271,270
Public Safety	0	166,698	0	0	166,698
Public Works	79,825	108,982	0	0	188,807
Conservation - Recreation	1,144	13,125	0	0	14,269
Debt Service:					
Interest and Fiscal Charges	0	0	79,063	0	79,063
Capital Outlay	100,662	343,640	0	1,467,135	1,911,437
Total Cash Disbursements	445,664	635,508	83,237	1,467,135	2,631,544
Total Receipts Over/(Under) Disbursements	(113,500)	(105,210)	35,062	(1,131,975)	(1,315,623)
Other Financing Receipts:					
Proceeds from Sale of Notes	0	15,000	0	0	15,000
Total Other Financing Receipts	0	15,000	0	0	15,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(113,500)	(90,210)	35,062	(1,131,975)	(1,300,623)
Fund Cash Balances, January 1	286,601	465,029	0	1,124,731	1,876,361
Fund Cash Balances, December 31	\$173,101	\$374,819	\$35,062	(\$7,244)	\$575,738
Reserve for Encumbrances, December 31	\$1,980	\$1,671	\$0	\$0	\$3,651

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

During 2002 and 2001, the Township's funds were held in an interest bearing checking account, money market accounts, and U.S. government securities.

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.

U.S. government securities are valued at cost. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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, 2002 AND 2001
(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 property tax money for constructing, maintaining, and repairing Township roads and bridges.

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 Project 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 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 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.

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$22,539</u>	<u>\$222,079</u>
Money Market Mutual Fund	639,088	326,043
U.S. Government Securities	<u>0</u>	<u>27,616</u>
Total investments	<u>639,088</u>	<u>353,659</u>
Total deposits and investments	<u><u>\$661,627</u></u>	<u><u>\$575,738</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Agency Notes are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$246,618	\$246,618
Special Revenue	0	512,398	512,398
Debt Service	0	157,503	157,503
Capital Projects	0	30,000	30,000
Total	<u>\$0</u>	<u>\$946,519</u>	<u>\$946,519</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$337,203	\$205,941	\$131,262
Special Revenue	792,327	454,830	337,497
Debt Service	141,844	145,475	(3,631)
Capital Projects	1,128,984	57,954	1,071,030
Total	<u>\$2,400,358</u>	<u>\$864,200</u>	<u>\$1,536,158</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$186,410	\$332,164	\$145,754
Special Revenue	450,000	545,298	95,298
Debt Service	115,000	118,299	3,299
Capital Projects	0	335,160	335,160
Total	<u>\$751,410</u>	<u>\$1,330,921</u>	<u>\$579,511</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$520,743	\$447,644	\$73,099
Special Revenue	937,571	637,179	300,392
Debt Service	115,000	83,237	31,763
Capital Projects	1,128,984	1,467,135	(338,151)
Total	<u>\$2,702,298</u>	<u>\$2,635,195</u>	<u>\$67,103</u>

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund by \$338,151 for the year ended December 31, 2001. Budgetary expenditures exceeded appropriation authority in the Debt Service fund by \$3,631 for the year ended December 31, 2002. For the year ended December 31, 2002, no certificate of estimated resources was prepared therefore all appropriations exceeded estimated resources. The Township did not properly certify the availability of funds for purchase commitments for most expenditures during the audit period. The capital projects fund had a negative fund balance of (\$35,198) for the year ended December 31, 2002 and (\$3,631) for the year ended December 31, 2001.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Bonds	\$1,199,000	6.25%
Fire Equipment Note	7,500	6.50%
Total	<u>\$1,206,500</u>	

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.

The Fire Equipment Note was acquired in 2001 to purchase a Chevy Tahoe. The note is collateralized by the vehicle and the Township's taxing authority.

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

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

	Fire Station Bonds	Fire Equipment Note
Year ending December 31:		
2003	\$111,375	\$7,744
2004	111,031	0
2005	110,563	0
2006	110,969	0
2007	111,156	0
2008 – 2012	558,719	0
2013 – 2017	563,625	0
2018 – 2020	342,625	0
Total	\$2,020,063	\$7,744

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 the accompanying financial statements of Harlan Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 11, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-007. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-003 and 2002-007.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. We believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated July 11, 2003.

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 11, 2003

HARLAN TOWNSHIP
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Material Noncompliance

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total estimated revenue.

In 2002, there were no estimated resources approved by the Board of Trustees or submitted to the County Auditor. This resulted in the appropriations exceeding estimated resources by total appropriations for all funds in the amount of \$2,400,358.

Failure to certify the estimated resources results in a lack of controls over appropriations and may result in negative fund balances. We recommend that the Township approve and submit a certificate of estimated resources and compare to the appropriations resolution to prevent this from occurring.

FINDING NUMBER 2002-002

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been properly appropriated. The following funds had expenditures in excess of appropriations in the following amounts and years:

2002			
Fund	Expenditures	Appropriations	Variance
Debt Service	\$145,475	\$141,844	\$(3,631)
2001			
Capital Projects	\$1,467,135	\$1,128,984	\$(338,151)

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.

FINDING NUMBER 2002-003

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), states 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 that the amount required to meet the same... 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 null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirements:

**FINDING NUMBER 2002-003
(Continued)**

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances at the time the contract or order was made and at the time the certification was completed, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The availability of funds was not certified in 63% of the Township's expenditures tested. The two exceptions mentioned above did not apply. There was also one instance of the trustees not certifying the availability of funds by evidence of their signature

95% of purchase orders tested were not signed by the Clerk. Signing the purchase orders is a control that the Clerk should use to verify the approved amount.

Failure to sign the purchase orders may result in purchase order amounts being exceeded or encumbrances not being recorded in the accounting system.

We recommend that the Clerk start signing the purchase orders as soon as possible so it can be determined that the Clerk has seen the purchase order, approves the amount, and that the amount has been encumbered and recorded in the accounting system.

FINDING NUMBER 2002-004

Material Noncompliance

Ohio Rev. Code, Section 5705.36, requires the Township to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year on or about the first day of each fiscal year.

This section also allows for subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

The Township did not complete, nor file with the County Auditor, a Certificate of the Total Amount from All Sources Available for Expenditures and Balances or a Certificate of Estimated Resources for 2002. Failure to certify the total amount from all sources which is available for expenditures from each fund in the tax budget along with any balances that existed at the end of the preceding year could result in a delay of funding from the county. Failure to complete a Certificate of Estimated Resources does not allow for adequate budget monitoring by the Township or the County. We recommend the Township complete and submit to the county auditor on or about the first day of the fiscal year a Certificate of the Total Amount from All Sources Available for Expenditures and Balances and a Certificate of Estimated Resources.

FINDING NUMBER 2002-005

Material Noncompliance

Ohio Rev. Code, Section 5705.10, states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made. The section also states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

There were negative cash balances noted in the capital projects fund in the amounts of (\$35,198) for 2002 and (\$7,244) for 2001.

Failure to prevent negative fund balances may result in illegal use of restricted funds to cover the negative balance expenditures. We recommend that the Township transfer or advance monies to funds with negative fund balances to prevent this from occurring, or postpone payments until the fund receives cash. As noted in Finding 2002-003, the Clerk should not certify commitments that will create a deficit.

FINDING NUMBER 2002-006

Material Noncompliance

Ohio Rev. Code, Section 135.14 (O), states that except as otherwise provided in divisions (O)(2) and (3) of that section, no treasurer or governing board shall make an investment or deposit pursuant to that section, unless there is on file with the auditor of state a written investment policy approved by the treasurer or governing board. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision. All brokers, dealers, and financial institutions, described in division (M)(1) of this section, initiating transactions with the treasurer or governing board by giving advice or making investment recommendations shall sign the treasurer's or governing board's investment policy thereby acknowledging their agreement to abide by the policy's contents.

If a written investment policy described above is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision's interim moneys only in interim deposits, no-load money market mutual funds, or the Ohio subdivision's fund.

This section does not apply to a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the treasurer or governing board will comply and is in compliance with the provisions of the applicable revised code sections.

Contrary to this requirement, the Township did not approve a written investment policy, invested more than \$100,000, and invested in U.S. Government Agencies during the audit period.

We recommend the Township approve an investment policy and follow the procedures required or limit investments to interim deposits, no-load money market mutual funds or the Ohio subdivision's fund.

FINDING NUMBER 2002-007

Material Noncompliance/Reportable Condition

Ohio Rev. Code, Section 507.04, requires the Township Clerk to keep an accurate record of the Township's accounts and transactions. The Township's clerk did not maintain an accurate receipt ledger or appropriation ledger for the years ended December 31, 2002 and 2001. Although the cash book contained all pertinent items, the receipt ledgers did not include all revenues of the Township and the appropriation ledgers could not be agreed to the annual financial report prepared by the Clerk. AOS performed a cash proof to reconstruct the financial statements. The Township was therefore unable to accurately monitor compliance with its appropriation ledger. The annual report completed by the Township Clerk did not contain all pertinent information of the Township, including beginning and ending fund balances and therefore did not portray an accurate picture of the Township's financial situation.

The Township also should take care to pay expenditures from the correct funds. Several expenditures for the new firehouse were paid from the fire fund that had to be repaid by the capital projects fund. Also payments for the park restrooms were paid from the general fund, rather than the park fund which required repayment by the park fund.

The failure to record all transactions of the Township does not allow for the true financial status of the Township to be reported as required and may require significant adjustments to the Township's cash book. We recommend that the Township record all Township transactions as required.

**HARLAN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000 AND 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40483-001	Material Noncompliance/Weakness – Record Keeping: ORC 507.04 for not keeping accurate records and several admin codes were cited. OAC 117 for not maintaining accounting ledgers and system. ORC 5705.09 for not establishing a special fund for a special levy.	No	Partially Corrected; repeat ORC 507.04 as Finding 2002-007.
2000-40483-002	The Township Clerk did not reconcile during 2000.	Yes	
2000-40483-003	ORC 5705.41(D), the availability of funds was not certified.	No	Repeat as Finding 2002-003.
2000-40483-004	Material Noncompliance/Weakness: ORC 5705.36 for not obtaining amended estimated resources. ORC 5705.41(b) for not properly appropriating.	No	Repeat as Findings 2002-002 and 004.
2000-40483-005	ORC 135.14(O) for no investment policy.	No	Repeat as Finding 2002-006.
2000-40483-006	Internal Control/Material Weakness: OAC 117 for internal control issues.	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
AUGUST 19, 2003**