



Mary Taylor, CPA
Auditor of State

HARLAN TOWNSHIP
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	19

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Mary Taylor, CPA Auditor of State

Harlan Township
Warren County
PO Box 160
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 an 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 adverse 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.

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Mary Taylor, CPA
Auditor of State

August 31, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Harlan Township
Warren County
PO 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, 2008 and 2007. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harlan Township, Warren County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 August 31, 2009, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 31, 2009

**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, 2008**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$111,909	\$550,605	\$109,784	\$772,298
Charges for Services	0	2,951	0	2,951
Licenses, Permits, and Fees	3,205	0	0	3,205
Intergovernmental	180,857	200,787	15,932	397,576
Earnings on Investments	17,749	1,669	0	19,418
Miscellaneous	612	88,748	9	89,369
	<u>314,332</u>	<u>844,760</u>	<u>125,725</u>	<u>1,284,817</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	214,857	0	1,714	216,571
Public Safety	0	256,920	0	256,920
Public Works	80,549	296,112	0	376,661
Health	0	2,064	0	2,064
Conservation - Recreation	2,087	0	0	2,087
Capital Outlay	11,936	236,150	0	248,086
Debt Service:				
Redemption of Principal	0	89,870	50,000	139,870
Interest and Other Fiscal Charges	0	11,316	51,371	62,687
	<u>309,429</u>	<u>892,432</u>	<u>103,085</u>	<u>1,304,946</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>4,903</u>	<u>(47,672)</u>	<u>22,640</u>	<u>(20,129)</u>
Other Financing Receipts:				
Sale of Fixed Assets	0	30,779	0	30,779
Other Financing Sources	0	4,200	0	4,200
	<u>0</u>	<u>34,979</u>	<u>0</u>	<u>34,979</u>
Total Other Financing Receipts				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	4,903	(12,693)	22,640	14,850
Fund Cash Balances, January 1	<u>501,031</u>	<u>628,847</u>	<u>230,372</u>	<u>1,360,250</u>
Fund Cash Balances, December 31	<u>\$505,934</u>	<u>\$616,154</u>	<u>\$253,012</u>	<u>\$1,375,100</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, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$110,393	\$544,227	\$109,863	\$764,483
Charges for Services	0	6,403	0	6,403
Licenses, Permits, and Fees	2,997	0	0	2,997
Intergovernmental	80,308	193,521	15,339	289,168
Earnings on Investments	55,532	8,447	0	63,979
Miscellaneous	1,102	14,334	0	15,436
	<u>250,332</u>	<u>766,932</u>	<u>125,202</u>	<u>1,142,466</u>
Total Cash Receipts				
	<u>250,332</u>	<u>766,932</u>	<u>125,202</u>	<u>1,142,466</u>
Cash Disbursements:				
Current:				
General Government	269,794	0	1,717	271,511
Public Safety	0	192,274	0	192,274
Public Works	84,835	226,947	0	311,782
Health	0	4,960	0	4,960
Conservation - Recreation	2,035	0	0	2,035
Capital Outlay	6,781	213,818	0	220,599
Debt Service:				
Redemption of Principal	0	86,850	47,000	133,850
Interest and Other Fiscal Charges	0	15,154	53,891	69,045
	<u>363,445</u>	<u>740,003</u>	<u>102,608</u>	<u>1,206,056</u>
Total Cash Disbursements				
	<u>363,445</u>	<u>740,003</u>	<u>102,608</u>	<u>1,206,056</u>
Total Receipts Over/(Under) Disbursements	<u>(113,113)</u>	<u>26,929</u>	<u>22,594</u>	<u>(63,590)</u>
Other Financing Receipts:				
Sale of Fixed Assets	0	15,684	0	15,684
Other Financing Sources	0	5,400	0	5,400
	<u>0</u>	<u>21,084</u>	<u>0</u>	<u>21,084</u>
Total Other Financing Receipts				
	<u>0</u>	<u>21,084</u>	<u>0</u>	<u>21,084</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	(113,113)	48,013	22,594	(42,506)
Fund Cash Balances, January 1	<u>614,144</u>	<u>580,834</u>	<u>207,778</u>	<u>1,402,756</u>
Fund Cash Balances, December 31	<u>\$501.031</u>	<u>\$628.847</u>	<u>\$230.372</u>	<u>\$1.360.250</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, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harlan Township, Warren County, Ohio (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'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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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. Deposits and Investments

During 2007 and 2008 the Township's funds were held in an interest-bearing checking account and money market mutual fund account. 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.

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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

3. Debt Service Funds

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Bond Retirement Fund – This fund receives property tax money to pay off the debt related to 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 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.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

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.

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 Deposits and Investments

The Township maintains a deposit 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:

	2008	2007
Demand deposits	\$9,254	\$16,547
Total deposits	9,254	16,547
Money Market Mutual Funds	1,365,844	1,343,703
Total investments	1,365,844	1,343,703
Total deposits and investments	\$1,375,098	\$1,360,250

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or 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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,615	\$314,332	\$94,717
Special Revenue	691,000	879,739	188,739
Debt Service	120,000	125,725	5,725
Total	\$1,030,615	\$1,319,796	\$289,181

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$693,466	\$309,429	\$384,037
Special Revenue	1,314,937	892,432	422,505
Debt Service	364,692	103,085	261,607
Total	\$2,373,095	\$1,304,946	\$1,068,149

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,230	\$250,332	\$40,102
Special Revenue	442,529	788,016	345,487
Debt Service	108,849	125,202	16,353
Total	\$761,608	\$1,163,550	\$401,942

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$861,327	\$363,445	\$497,882
Special Revenue	1,412,599	740,003	672,596
Debt Service	321,082	102,608	218,474
Total	\$2,595,008	\$1,206,056	\$1,388,952

Contrary to Ohio law, appropriations exceeded estimated resources in the General fund by \$90,007, in the Gas Tax fund by \$34,792, in the Road and Bridge fund by \$8,000, in the Fire District fund by \$120,314, and in the Perm MVL fund by \$13,805 for the year ended December 31, 2007.

Contrary to Ohio law, actual expenditures exceeded appropriations for various line items at the legal level of control during 2007 and 2008.

4. 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 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, 2008 AND 2007
(Continued)**

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Bonds	\$941,000	5.25%
Fire Truck Bonds	\$149,300	4.50%
Dump Truck Bonds	20,000	4.15%
Total	<u>\$1,110,300</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 Truck Bonds were acquired in 2005 for the purchase of a new fire truck. The bonds are collateralized solely by the Township's taxing authority.

The Dump Truck Bonds were acquired in 2005 for the purchase of a new dump truck. 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:	<u>Fire Station Bonds</u>	<u>Fire Truck Bonds</u>	<u>Dump Truck Bonds</u>
2009	\$102,720	\$79,729	\$20,623
2010	102,833	79,723	
2011	103,788		
2012	104,533		
2013	105,068		
2014-2018	542,674		
2019-2023	226,149		
Total	<u>\$1,287,765</u>	<u>\$159,452</u>	<u>\$20,623</u>

6. Retirement Systems

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**HARLAN TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Harlan Township
Warren County
PO Box 160
Pleasant Plain, Ohio 45162

To the Township 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, 2008 and 2007, and have issued our report thereon dated August 31, 2009, 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2008-003 is also a material weakness.

We noted certain matters that we reported to the Township's management in a separate letter dated August 31, 2009.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001, 2008-002, and 2008-004.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated August 31, 2009.

We intend this report solely for the information and use of management and the Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 31, 2009

HARLAN TOWNSHIP
WARREN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency

Ohio Rev. Code, Section 5705.41(D)(1), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every 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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for purchase commitments for 80% of expenditures tested for 2008 and 85% of expenditures tested for 2007 and none of the exceptions above applied. Additionally, there were \$2,394 in unrecorded encumbrances in the Road and Bridge fund and \$36,096 in the Fire fund at December 31, 2007 and \$1,687 in unrecorded encumbrances in the Road and Bridge fund and \$2,003 in the Fire fund at 12/31/08. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2008-001
 (Continued)**

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 Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2008-002

Noncompliance

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations at the legal level of control as follows:

<u>Line Item</u>	<u>Year</u>	<u>Approp.</u>	<u>Expenditures</u>	<u>Variance</u>
1-a-15a	2008	\$2,500	\$2,933	(\$433)
1-f-2	2008	8,500	11,936	(3,436)
4-a-4	2008	35,000	117,657	(82,657)
4-a-9	2008	15,000	18,109	(3,109)
10-a-9	2008	30,000	64,308	(34,308)
1-f-8	2007	1,500	2,035	(535)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend that the Township limit expenditures to the appropriated amount. The Fiscal Officer should deny any payments until the Board has passed the necessary changes to the appropriation measure.

FINDING NUMBER 2008-003

Material Weakness

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

The Township lacks management oversight in the posting of receipts. This lack of oversight is illustrated by the following:

- All receipts, with the exception of taxes and intergovernmental receipts, were classified as Miscellaneous Revenue including:

**FINDING NUMBER 2008-003
 (Continued)**

- Sales of assets
 - EMS Billing Receipts
 - Cable Franchise Fees
 - Interest Receipts
- Real Estate Tax receipts were posted at net amounts instead of gross amounts.
 - Intergovernmental receipts including CAT Tangible Personal Property Reimbursement, Estate Taxes, and the Personal Property Exemption Reimbursement were posted to Taxes.
 - Intergovernmental receipts including the Public Utility Deregulation Reimbursement and various EMS Grants, and Special Assessment Tax Receipts were posted to Miscellaneous Revenue.
 - Taxes received to pay the Firehouse Construction debt were posted to the Fire Fund instead of the Debt Service Fund.

A summary of audit adjustments posted to the financial statements to correct the above classifications follows:

	2008			2007		
	General Fund	Special Revenue	Debt Service	General Fund	Special Revenue	Debt Service
Property & Other Local Taxes	644	(60,873)	59,236	3,579	(1,224)	1,513
Charges for Services	-	2,951	-	-	6,403	-
Licenses, Permits & Fees	3,205	-	-	2,997	-	-
Intergovernmental	11,303	28,606	37	3,349	20,751	204
Earnings on Investment	17,749	1,669	-	55,532	8,447	-
Miscellaneous	(28,210)	(48,109)	(1,419)	(49,916)	(42,418)	(10,902)
Sale of Fixed Assets	-	30,779	-	-	15,684	-

The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of receipts we recommend that all receipts be posted properly. For guidance the Township should utilize the Ohio Township Handbook.

FINDING NUMBER 2008-004

Noncompliance

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission. Appropriations exceeded the total estimated revenue as follows:

Fund	Year	Estimated Res.	Appropriations	Variance
General	2007	\$771,320	\$861,327	\$(90,007)
Gas	2007	75,786	110,578	(34,792)
Road & Bridge	2007	276,585	284,585	(8,000)
Fire	2007	680,714	801,028	(120,314)
Permissive MVL	2007	84,489	98,294	(13,805)

Failure to comply with the above Ohio Revised Code Section resulted in the Township appropriating more funds than they expected to have available. This practice could result in negative fund balances due to spending more funds than are available. We recommend the Township compare estimated revenue per the amended certificate with appropriations before making any modifications to these official documents.

**HARLAN TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC 5705.41(D) – not properly encumbering.	No	Repeated as Finding 2008-001
2006-002	ORC 5705.41(B) – expenditures exceeding appropriations	No	Repeated as Finding 2008-002
2006-003	Lack of management oversight in posting of receipts.	No	Repeated as Finding 2008-003
2006-004	Gift cards given to employees not included on w-2's and not approved by Trustees.	Yes	



Mary Taylor, CPA
Auditor of State

HARLAN TOWNSHIP

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 10, 2009**