



Dave Yost • 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, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	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

**This page intentionally left blank.**



# Dave Yost • Auditor of State

Harlan Township  
Warren County  
P.O. 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

December 29, 2011

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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, 2010 and 2009. 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, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances of Harlan Township, Warren County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242

Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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 December 29, 2011, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

December 29, 2011

**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, 2010**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$107,687	\$555,572	\$103,085	\$766,344
Charges for Services		92,452		92,452
Licenses, Permits, and Fees	3,813			3,813
Intergovernmental	69,704	198,761	15,517	283,982
Earnings on Investments	658	7		665
Miscellaneous	750	33,434		34,184
Total Cash Receipts	<u>182,612</u>	<u>880,226</u>	<u>118,602</u>	<u>1,181,440</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	226,122	135,458	1,172	362,752
Public Safety		204,649		204,649
Public Works	1,402	282,426		283,828
Health		11,754		11,754
Conservation - Recreation	8,494			8,494
Other	14,072	101,767		115,839
Capital Outlay		18,343		18,343
Debt Service:				
Redemption of Principal		104,123	57,000	161,123
Interest and Other Fiscal Charges		8,536	45,832	54,368
Total Cash Disbursements	<u>250,090</u>	<u>867,056</u>	<u>104,004</u>	<u>1,221,150</u>
Total Receipts Over/(Under) Disbursements	<u>(67,478)</u>	<u>13,170</u>	<u>14,598</u>	<u>(39,710)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Fixed Assets		6,000		6,000
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>6,000</u>	<u>0</u>	<u>6,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(67,478)	19,170	14,598	(33,710)
Fund Cash Balances, January 1	451,532	280,614	435,171	1,167,317
<b>Fund Cash Balances, December 31</b>	<b><u>\$384,054</u></b>	<b><u>\$299,784</u></b>	<b><u>\$449,769</u></b>	<b><u>\$1,133,607</u></b>
Reserve for Encumbrances, December 31	<u>\$13,263</u>	<u>\$0</u>	<u>\$0</u>	<u>\$13,263</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, 2009**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$114,422	\$564,845	\$109,871	\$789,138
Charges for Services		32,674		32,674
Licenses, Permits, and Fees	3,722			3,722
Intergovernmental	82,154	212,827	26,727	321,708
Earnings on Investments	591	16		607
Miscellaneous	144	59,155		59,299
Total Cash Receipts	<u>201,033</u>	<u>869,517</u>	<u>136,598</u>	<u>1,207,148</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	125,173	146,509	1,719	273,401
Public Safety		205,966		205,966
Public Works	83,676	364,492		448,168
Health		11,891		11,891
Conservation - Recreation	7,506			7,506
Other	39,083	103,145		142,228
Capital Outlay		294,357		294,357
Debt Service:				
Redemption of Principal		73,010	54,000	127,010
Interest and Other Fiscal Charges		5,687	48,720	54,407
Total Cash Disbursements	<u>255,438</u>	<u>1,205,057</u>	<u>104,439</u>	<u>1,564,934</u>
Total Receipts Over/(Under) Disbursements	<u>(54,405)</u>	<u>(335,540)</u>	<u>32,159</u>	<u>(357,786)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Bonds			150,000	150,000
Transfers-In		21,368		21,368
Transfers-Out		(21,368)		(21,368)
Total Other Financing Receipts / (Disbursements)	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>150,000</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(54,405)	(335,540)	182,159	(207,786)
Fund Cash Balances, January 1	<u>505,937</u>	<u>616,154</u>	<u>253,012</u>	<u>1,375,103</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$451,532</u></b>	<b><u>\$280,614</u></b>	<b><u>\$435,171</u></b>	<b><u>\$1,167,317</u></b>

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 the 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 contracts with the Medicount Management to provide ambulance billings.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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**

The Township's accounting basis includes 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.

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

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Debt Service Funds**

These funds account 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 2010 and 2009 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, 2010 AND 2009  
(Continued)**

**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:

	2010	2009
Demand deposits	\$25,000	\$25,000
Total deposits	25,000	25,000
Money Market Mutual Funds	1,108,607	1,142,317
Total investments	1,108,607	1,142,317
Total deposits and investments	\$1,133,607	\$1,167,317

**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, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,923	\$182,614	\$17,691
Special Revenue	873,500	886,226	12,726
Debt Service	112,000	118,602	6,602
Total	\$1,150,423	\$1,187,442	\$37,019

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$595,271	\$263,355	\$331,916
Special Revenue	1,366,350	867,056	499,294
Debt Service	356,067	104,004	252,063
Total	\$2,317,688	\$1,234,415	\$1,083,273

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$178,975	\$201,033	\$22,058
Special Revenue	814,000	890,885	76,885
Debt Service	120,000	286,598	166,598
Total	\$1,112,975	\$1,378,516	\$265,541

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$596,053	\$255,438	\$340,615
Special Revenue	1,559,850	1,226,425	333,425
Debt Service	331,965	104,439	227,526
Total	\$2,487,868	\$1,586,302	\$901,566

Contrary to Ohio law, appropriations exceeded estimated resources in the Road and Bridge fund by \$67,198 for the year ended December 31, 2009.

**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.

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
2009 Firetruck Acquisition Bond	\$122,167	3.75%
2000 Fire Station Bond	830,000	5.25%
Total	\$952,167	

The Township issued a \$150,000 Fire Truck Acquisition bond in 2009 for 5 years to finance the purchase of a new fire truck for Township Fire Department. The Township's taxing authority collateralized the bonds. In 2010 Township paid off a \$350,000 2005 Fire Truck Acquisition bond. The Township also paid off an \$80,000 2005 Dump Truck Acquisition bond during 2009.

The Fire Station Bonds were acquired in 2001 for the construction of a new fire station to be paid off in 2020 at a 20 year maturity. The bonds are collateralized solely by the Township's taxing authority.

**HARLAN TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt (Continued)**

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

Year ending December 31:	2009 Fire Truck Acquisition	2000 Fire Station Bond
2011	\$33,458	\$103,788
2012	33,458	104,533
2013	33,457	105,068
2014	33,458	106,366
2015	33,457	107,429
2016-2020	0	555,028
Total	<u>\$167,289</u>	<u>\$1,082,212</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 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**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.

**This page intentionally left blank.**



# Dave Yost • 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  
P.O. Box 160  
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, 2010 and 2009, and have issued our report thereon dated December 29, 2011, wherein we noted the Village 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-03 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-02 described in the accompanying schedule of findings to be a significant deficiency.

### **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 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 29, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

December 29, 2011

**HARLAN TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-01**

**Noncompliance**

Ohio Rev. Code, Section 5705.39, provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township's appropriations exceeded estimated resources in 2009 Road and Bridge fund in the amount of \$67,198.

Also, estimated resources budgetary information was not entered in to the computer system from the original documents filed with the county auditor. This does not allow the Township to monitor the status of appropriations and budgeted receipts throughout the year.

We recommend the Township monitor budgetary information so there are no instances of appropriations exceeding the estimated resources. Also, we recommend the Township integrate and update the budgetary documents in their computer system as needed.

**FINDING NUMBER 2010-02**

**Noncompliance/ Significant Deficiency**

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided 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.

**FINDING NUMBER 2010-02  
(Continued)**

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 73% of expenditures tested for 2010 and 4% of expenditures tested for 2009 and none of the exceptions above applied. Additionally, there was \$13,263 in unrecorded encumbrances in the General Fund at December 31, 2010, that was adjusted on the audited financial statements. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. We also noted that the Township does not have an outstanding encumbrance report even though reserves for encumbrances are noted on the trial balances.

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 2010-03**

**Noncompliance/Material Weakness**

**Ohio Admin. Code Section 117-2-02(A)** requires all local public offices to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions; maintain accountability for the related assets; document compliance with finance-related legal and contractual requirements; and prepare financial statements as required by Ohio Admin. Code Section 117-2-03.

**FINDING NUMBER 2010-03  
 (Continued)**

We noted the following conditions related to the District accounting system, accounting records, and financial statements.

The Township presented financial statements that did not accurately classify the Township's receipts and disbursements according to the Ohio Admin. Code Section 117-2-03. Due to the following conditions related to these reports, we determined the annual report did not match the underlying account records in amounts and in classifications. We were able to determine the misclassifications on the annual reports because the underlying accounting records were accurately posted. The Township misclassified the following transactions:

- Cable franchise fees were reported as Other Revenue instead of Licenses, Permits, and Fees;
- Cemetery sales were reported as Other Revenue instead of Charges for Services;
- Debt and interest payments were reported together in the Debt Service Fund instead of being broken up into debt payments and interest payments;
- Debt and interest payments were reported in Fire Fund as Capital Outlay instead of debt payments and interest payments;
- Contributions to Cemetery Fund were reported as Other Financing Sources instead of Other Revenue;
- Total Revenues and Total Disbursements on the Annual Reports did not agree to underlying accounting records in several funds;
- Interest was reported as Other Revenue instead of Earnings on Investments;
- Gasoline Tax Fund and Road & Bridge Fund salaries and benefits were reported as Public Works instead of General Government;
- Auditor & Treasurer Settlement Sheet Deductions were reported as negative receipts instead of as General Government Disbursements;
- Bond proceeds were not reported in Bond Fund as Sale of Bonds; and
- Incorrect beginning balances were used on the Annual Reports.

The following table summarizes adjustment amounts posted to the audited financial statements for the various funds in 2010:

	General Fund	Road & Bridge	Cemetery Fund	Fire District	Bond Fund
Total Revenues	\$7,430	\$1,843	\$2,425	\$7,487	\$1,173
Total Disbursements	\$2,499	\$4,067	\$0	\$2,721	\$1,172
Total Fund Adj	\$4,931	(\$2,224)	\$2,425	\$4,766	\$1

**FINDING NUMBER 2010-03  
 (Continued)**

The following table summarizes adjustment amounts posted to the audited financial statements for the various funds in 2009:

	General Fund	Road & Bridge	Cemetery Fund	Fire District	Bond Fund
Total Revenues	\$6,353	\$2,900	\$0	(\$144,751)	\$151,777
Total Disbursements	\$6,521	\$2,840	(\$11)	\$5,074	\$1,719
Total Fund Adj	(\$168)	\$80	\$11	(\$149,825)	\$150,058

The lack of proper management oversight could result in material misstatement relating to financial data. To improve annual report preparation, we recommend the Fiscal Officer agree the annual report information to the ledgers. For guidance, the Township should utilize the Ohio Township Handbook.

**We did not receive a response from officials regarding the findings reported above.**

**HARLAN TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	ORC Section 5705.41(D) certifying money is available to spend prior to obligation.	No	Not Corrected, repeated as Finding # 2010-02
2008-002	ORC Section 5705.41(B) appropriations must not exceed expenditures	Yes	
2008-003	Posting errors resulting from lack of oversight	No	Not corrected, repeated as Finding # 2010-03
2008-004	ORC Section 5705.39, appropriations are not to exceed estimated resources	No	Not corrected, repeated as Finding # 2010-01

**This page intentionally left blank.**



# Dave Yost • 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  
JANUARY 12, 2012**