

HARLEM TOWNSHIP
DELAWARE COUNTY, OHIO

Financial Statements
December 31, 2004 and 2003

Wolf, Rogers, Dickey & Co.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
Harlem Township
Galena, Ohio

We have reviewed the *Independent Auditors' Report* of Harlem Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Harlem Township, Delaware County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 7, 2005

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Harlem Township
Delaware County, Ohio

For the Years Ended
December 31, 2004 and 2003

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Wolf, Rogers, Dickey & Co.

Certified Public Accountants

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Independent Auditors' Report

Harlem Township
Delaware County, Ohio

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 and 2003, the revisions require presenting entity-wide statements and also to present larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio 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 the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or their changes in financial position for the year then ended.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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* and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

August 25, 2005

Harlem Township
Delaware County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Local taxes	\$ 213,723	359,462	68,964	642,149
Intergovernmental	74,018	133,213	8,663	215,894
Licenses, permits and fees	21,486	9,595	-	31,081
Special assessments	-	1,865	-	1,865
Earnings on investments	2,104	294	-	2,398
Other revenue	<u>7,878</u>	<u>14,277</u>	<u>-</u>	<u>22,155</u>
Total cash receipts	<u>319,209</u>	<u>518,706</u>	<u>77,627</u>	<u>915,542</u>
Cash disbursements:				
Current:				
General government	199,872	-	-	199,872
Public works	-	188,860	-	188,860
Public safety	-	214,636	-	214,636
Health	11,873	10,753	-	22,626
Conservation – recreation	10,151	-	-	10,151
Debt service:				
Redemption of principal	-	-	60,000	60,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>14,119</u>	<u>14,119</u>
Total cash disbursements	<u>221,896</u>	<u>414,249</u>	<u>74,119</u>	<u>710,264</u>
Total receipts over disbursements	97,313	104,457	3,508	205,278
Other financing receipts (disbursements):				
Transfers in	-	101,000	-	101,000
Transfers out	<u>(101,000)</u>	<u>-</u>	<u>-</u>	<u>(101,000)</u>
Total other financing receipts (disbursements)	<u>(101,000)</u>	<u>101,000</u>	<u>-</u>	<u>-</u>
Total receipts over (under) disbursements	(3,687)	205,457	3,508	205,278
Fund cash balances, January 1	<u>95,895</u>	<u>430,629</u>	<u>5,467</u>	<u>531,991</u>
Fund cash balances, December 31	\$ <u>92,208</u>	<u>636,086</u>	<u>8,975</u>	<u>737,269</u>
Reserve for encumbrances	\$ <u>-</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>

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

Harlem Township
Delaware County, Ohio
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debit Service</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Local taxes	\$ 205,389	239,030	66,977	511,396
Intergovernmental	104,604	104,307	8,380	217,291
Licenses, permits and fees	21,685	6,825	-	28,510
Special assessments	-	2,315	-	2,315
Earnings on investments	1,662	215	-	1,877
Other revenue	<u>9,068</u>	<u>15,343</u>	<u>-</u>	<u>24,411</u>
Total cash receipts	<u>342,408</u>	<u>368,035</u>	<u>75,357</u>	<u>785,800</u>
Cash disbursements:				
Current:				
General government	198,674	-	-	198,674
Public safety	1,532	169,071	-	170,603
Public works	-	226,801	-	226,801
Health	12,773	16,685	-	29,458
Conservation – recreation	6,298	-	-	6,298
Debt service:				
Redemption of principal	-	-	55,000	55,000
Interest and fiscal charges	-	-	17,782	17,782
Capital outlay	<u>9,068</u>	<u>46,586</u>	<u>-</u>	<u>55,654</u>
Total cash disbursements	<u>228,345</u>	<u>459,143</u>	<u>72,782</u>	<u>760,270</u>
Total receipts over (under) disbursements	114,063	(91,108)	2,575	25,530
Other financing receipts (disbursements):				
Transfers in	-	132,000	-	132,000
Transfers out	(132,000)	-	-	(132,000)
Other financing sources	<u>1,091</u>	<u>5,501</u>	<u>-</u>	<u>6,592</u>
Total other financing receipts (disbursements)	<u>(130,909)</u>	<u>137,501</u>	<u>-</u>	<u>6,592</u>
Total receipts over (under) disbursements	(16,846)	46,393	2,575	32,122
Fund cash balances, January 1	<u>112,741</u>	<u>384,236</u>	<u>2,892</u>	<u>499,869</u>
Fund cash balances, December 31	\$ <u>95,895</u>	<u>430,629</u>	<u>5,467</u>	<u>531,991</u>
Reserve for encumbrances	\$ <u>159</u>	<u>532</u>	<u>-</u>	<u>691</u>

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

Harlem Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies

Description of the Entity

Harlem Township, Delaware 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 and cemetery maintenance. The Township contracts with the Delaware County Sheriff's Department to provide security of persons and property.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 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 of Ohio.

Cash and Investments

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. Certificates of deposit are valued at cost.

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:

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.

Harlem Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, continued

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:

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Fire District Fund – This fund receives tax money from a special fire levy for covering the cost of fire protection.

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 significant Debt Service Fund:

General Bond Retirement Fund – This fund receives tax money earmarked to retire the bonded debt associated with the construction of the fire house.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law.

Harlem Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2004 and 2003

(1) Summary of Significant Accounting Policies, continued

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

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.

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 investment 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:

	2004	2003
Demand deposits	\$ 519,895	316,231
Certificates of deposit	<u>217,374</u>	<u>215,760</u>
Total deposits and investments	\$ <u>737,269</u>	<u>531,991</u>

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

(3) Budgetary Activity

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

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 331,522	319,209	(12,313)
Special revenue	507,131	619,706	112,575
Debt service	<u>76,071</u>	<u>77,627</u>	<u>1,556</u>
Total	\$ <u>914,724</u>	<u>1,016,542</u>	<u>101,818</u>

Harlem Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2004 and 2003

(3) Budgetary Activity, continued

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 424,860	322,896	101,964
Special revenue	1,042,779	414,249	628,530
Debt service	<u>79,670</u>	<u>74,119</u>	<u>5,551</u>
Total	\$ <u>1,547,309</u>	<u>811,264</u>	<u>736,045</u>

<u>2003 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 325,230	343,499	18,269
Special revenue	372,912	505,536	132,624
Debt service	<u>74,203</u>	<u>75,357</u>	<u>1,154</u>
Total	\$ <u>772,345</u>	<u>924,392</u>	<u>152,047</u>

<u>2003 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 438,332	360,345	77,987
Special revenue	755,850	459,143	296,707
Debt service	<u>77,095</u>	<u>72,782</u>	<u>4,313</u>
Total	\$ <u>1,271,277</u>	<u>892,270</u>	<u>379,007</u>

(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

Harlem Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2004 and 2003

(4) Property Tax, continued

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

The Township had general obligation bonds with principal of \$135,000 outstanding at December 31, 2004, bearing interest of 6.65%. The general obligation bonds were issued to finance the construction of a fire station. The bonds are collateralized solely by the Township's taxing authority.

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

Year ending December 31:	
2005	\$ 73,978
2006	<u>74,655</u>
	\$ <u>148,633</u>

The Township is also obligated under a promissory note to the Harlem Township Firemen's Association dated July 2000. The promissory note is for the purchase of land for a Township park and requires annual principal payments of \$2,475 through 2020. The note requires no interest. The outstanding balance on the note is \$39,600 at December 31, 2004.

(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. These plans provide 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 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

Harlem Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2004 and 2003

(7) Risk Management

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance coverage to Township Trustees, the Clerk and other employees through a private carrier.

(8) Lease Agreement

In 2003, the Township entered into a lease agreement for real property located in Galena, Ohio, which expires on April 15, 2007. Terms of the lease require annual lease payments of \$35,960 and provide for an option to purchase which expires on April 15, 2007. The purchase price of the property is the cumulative rental payment set forth for the lease term plus one dollar. Lease payments made shall be credited toward the purchase price.

Wolf, Rogers, Dickey & Co.

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**Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Harlem Township
Delaware County, Ohio

To the Board of Trustees:

We have audited the financial statements of Harlem Township, Delaware County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 25, 2005, wherein we noted the Township followed accounting practices the Auditor of State of Ohio 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error of fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 25, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-01 and 2004-02. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 25, 2005.

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

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

August 25, 2005

Harlem Township
Delaware County, Ohio
Schedule of Findings
December 31, 2004 and 2003

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2004-01

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue.

Appropriations exceeded estimated resources in the General Fund by \$12,026, the Fire District Fund by \$285, and the Permissive Motor Vehicle License Tax Fund by \$143 for the year ended December 31, 2003.

Finding Number 2004-02

Appropriation amounts entered into the appropriation ledger exceeded the amount approved in the Annual Appropriation Measure for account numbers 10-A-8, 10-A-15, 15-A-2 and 1-A-27 for 2003 and 10-A-8 and 10-A-15 in 2004.

Entering incorrect appropriation information into the appropriation ledger could cause the Township to inadvertently expend more than has been appropriated from an account. In addition, the Township could potentially expend more from a fund than is available.



**Auditor of State
Betty Montgomery**

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HARLEM TOWNSHIP

DELAWARE 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
DECEMBER 20, 2005**