

**HARLEM TOWNSHIP**  
**DELAWARE COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009





# Dave Yost • Auditor of State

Board of Trustees  
Harlem Township  
3883 South State Route 605  
Galena, Ohio 43021

We have reviewed the *Independent Auditors' Report* of Harlem Township, Delaware County, prepared by Holbrook & Manter, for the audit period January 1, 2009 through December 31, 2010. 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 is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Robert R. Hinkle".

Robert R. Hinkle, CPA  
Chief Deputy Auditor

November 10, 2011

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Harlem Township  
Delaware County

We have audited the accompanying financial statements of Harlem Township, Delaware 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 audits.

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

As discussed 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.

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, GAAP requires 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 the GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, townships to reformat their statements. The Township has elected not to reformat its statements. Since the 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.

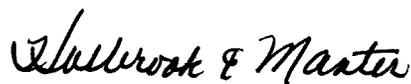
In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, 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 Harlem Township, Delaware County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As an emphasis of a matter and as discussed in Note 8 to the financial statements, Harlem Township provided health insurance to the Trustees, Fiscal Officer, Road Superintendent, and Full time Fire Fighters.

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 September 15, 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.



Certified Public Accountants

September 15, 2011

**HARLEM TOWNSHIP**  
**DELAWARE 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>			<b>Total Memorandum Only</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>CASH RECEIPTS:-</b>				
Property tax and other local taxes	\$ 282,508	\$ 832,563	\$ 0	\$ 1,115,071
Charges for services	0	10,372	0	10,372
Licenses, permits, and fees	6,550	4,000	0	10,550
Intergovernmental receipts	150,225	259,149	0	409,374
Special assessments	0	1,752	0	1,752
Earnings on investments	3,921	4,414	0	8,335
Miscellaneous	48,374	9,002	0	57,376
<b>Total cash receipts</b>	<b>491,578</b>	<b>1,121,252</b>	<b>0</b>	<b>1,612,830</b>
<b>CASH DISBURSEMENTS:-</b>				
Current:-				
General government	134,181	0	0	134,181
Public safety	0	574,866	0	574,866
Public works	6,084	82,310	0	88,394
Health	16,726	0	0	16,726
Conservation- recreation	29,169	0	0	29,169
Debt Service				
Principal	0	20,459	0	20,459
Interest and other fiscal charges	0	3,238	0	3,238
Personal services	97,968	634,802	0	732,770
Contract services	94,450	0	0	94,450
<b>Total cash disbursements</b>	<b>378,578</b>	<b>1,315,675</b>	<b>0</b>	<b>1,694,253</b>
Total receipts over (under) cash disbursements	113,000	( 194,423)	0	( 81,423)
Fund cash balances, January 1, 2010	657,910	922,291	3,332	1,583,533
<b>Fund cash balances, December 31, 2010</b>	<b>\$ 770,910</b>	<b>\$ 727,868</b>	<b>\$ 3,332</b>	<b>\$ 1,502,110</b>

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

**HARLEM TOWNSHIP  
DELAWARE 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>Total Memorandum Only</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
<b>CASH RECEIPTS:-</b>				
Property tax and other local taxes	\$ 278,792	\$ 819,666	\$ 0	\$ 1,098,458
Charges for services	0	8,477	0	8,477
Licenses, permits, and fees	9,728	13,500	0	23,228
Intergovernmental receipts	235,938	254,084	0	490,022
Special assessments	0	1,817	0	1,817
Earnings on investments	7,095	13,618	0	20,713
Miscellaneous	13,796	8,107	0	21,903
<b>Total cash receipts</b>	<b>545,349</b>	<b>1,119,269</b>	<b>0</b>	<b>1,664,618</b>
<b>CASH DISBURSEMENTS:-</b>				
Current:-				
General government	153,206	0	0	153,206
Public safety	0	795,520	0	795,520
Public works	1,341	75,507	0	76,848
Health	19,532	0	0	19,532
Conservation- recreation	4,122	0	0	4,122
Capital outlay	0	20,018	0	20,018
Debt Service				
Principal	0	19,481	0	19,481
Interest and other fiscal charges	0	4,216	0	4,216
Personal Services	92,048	576,298	0	668,346
Contract Services	103,442	0	0	103,442
<b>Total cash disbursements</b>	<b>373,691</b>	<b>1,491,040</b>	<b>0</b>	<b>1,864,731</b>
Total receipts over (under) cash disbursements	171,658	( 371,771)	0	( 200,113)
Fund cash balances, January 1, 2009	486,252	1,294,062	3,332	1,783,646
<b>Fund cash balances, December 31, 2009</b>	<b>\$ 657,910</b>	<b>\$ 922,291</b>	<b>\$ 3,332</b>	<b>\$ 1,583,533</b>

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

**HARLEM TOWNSHIP  
DELAWARE COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Description of the Entity** - The constitution and laws of the State of Ohio establish the rights and privileges of Harlem Township, Delaware County, Ohio, (the Township) as a body corporate and politic. The Township is directed by a publicly - elected three member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Delaware County Sheriff for police services.

The Township's management believes these financial statements present all activities for which the Township is financially 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 is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State of Ohio.

**Cash and Investments** - The Township's accounting basis includes investments as assets. 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.

The Township values certificates of deposit 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.

**Special Revenue Funds**

These funds account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

*Fire District Fund*

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

**Debt Service Fund**

This fund accounts for resources the Township accumulates to pay bond and note debt.

**HARLEM TOWNSHIP  
DELAWARE COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

**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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Delaware 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 Delaware 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 at year-end are carried over, and need not be re-appropriated.

A summary of 2010 and 2009 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. The financial statements do not include a liability for unpaid leave.

**HARLEM TOWNSHIP  
DELAWARE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

The Township maintains a cash pool used by all funds in the form of demand deposits (checking and savings accounts). The Township also maintains fund specific certificates of deposit for the Fire Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2010 and 2009 was as follows:

		<u>2010</u>		<u>2009</u>
Demand deposits	\$	1,102,110	\$	1,183,533
Certificate of deposits		<u>400,000</u>		<u>400,000</u>
<b>Total deposits and investments</b>	<b>\$</b>	<b><u>1,502,110</u></b>	<b>\$</b>	<b><u>1,583,533</u></b>

**Deposits** - The Township's deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments** - The Township has four \$100,000 certificates of deposit that are specifically held by the Fire Fund. Interest earned on the certificates of deposit is recorded when the certificates mature. The certificates are recorded at cost throughout the year.

**HARLEM TOWNSHIP  
DELAWARE COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2010 was as follows:

**2010 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 450,757	\$ 491,578	\$ 40,821
Special revenue	1,104,209	1,121,252	17,043
Debt service fund	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>1,554,966</u></b>	<b>\$ <u>1,612,830</u></b>	<b>\$ <u>57,864</u></b>

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 634,400	\$ 378,578	\$ 255,822
Special revenue	1,567,650	1,315,675	251,975
Debt service fund	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>2,202,050</u></b>	<b>\$ <u>1,694,253</u></b>	<b>\$ <u>507,797</u></b>

**HARLEM TOWNSHIP  
DELAWARE COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2009 was as follows:

**2009 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 402,699	\$ 545,349	\$ 142,650
Special Revenue	1,108,658	1,119,269	10,611
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>1,511,357</u></b>	<b>\$ <u>1,664,618</u></b>	<b>\$ <u>153,261</u></b>

**2009 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 618,900	\$ 373,691	\$ 245,209
Special Revenue	1,948,100	1,491,040	457,060
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total</b>	<b>\$ <u>2,567,000</u></b>	<b>\$ <u>1,864,731</u></b>	<b>\$ <u>702,269</u></b>

**HARLEM TOWNSHIP  
DELAWARE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 4 - PROPERTY TAX:-**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Delaware 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 Delaware County by each April 30. The tangible personal property tax is being phased out over the next few years.

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

**NOTE 5 - RETIREMENT SYSTEMS:-**

The Township's certified full time Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other full time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which included postretirement healthcare and survivor and disability benefits.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2010 and 2009. The Township has paid all contributions required through December 31, 2010 and 2009.

Part time Fire Fighters contribute to Social Security. The Township's liability is 6.2 percent of wages paid.

**NOTE 6 - DEBT:-**

Debt outstanding at December 31, 2010, was as follows:

	<b>Principal Balance 12/31/2010</b>	<b>Interest Rate</b>
Navistar Financial	\$ <u>44,051</u>	5.02%

On December 22, 2008, the Township entered a lease agreement with Navistar Financial in the amount of \$107,689. The lease is to be paid back over a 5 year period and has an interest rate of 5.02%. The annual payments are \$23,698, including principal and interest and are due December 22nd of each year beginning in 2008. At the end of the lease, a \$1 buyout option is provided to the Township for the transfer of the title. As of December 31, 2010, the Township owes \$ 44,051 of principal on the lease.

**HARLEM TOWNSHIP  
DELAWARE COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**NOTE 6 - DEBT:-** (continued)

Future Minimum Payments on the above lease is scheduled as follows:

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 21,486	\$ 2,211	\$ 23,697
2012	22,565	1,133	23,698
<b>Total</b>	<b>\$ 44,051</b>	<b>\$ 3,344</b>	<b>\$ 47,395</b>

**NOTE 7 - RISK MANAGEMENT:-**

**Risk Pool Membership**

Through December 31, 2008, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage's to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009, respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of-pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009, respectively. The Township participates in this coverage.

**HARLEM TOWNSHIP  
DELAWARE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**NOTE 7 - RISK MANAGEMENT:-** (continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009.

	<u>2010 OPRM</u>	<u>2010 OPHC</u>	<u>2010 Total</u>	<u>2009 Total</u>
Assets	\$ 12,036,541	\$ 1,355,131	\$ 13,391,672	\$ 12,534,988
Liabilities	<u>( 4,845,056)</u>	<u>( 1,055,096)</u>	<u>( 5,900,152)</u>	<u>( 6,106,102)</u>
Member's Equity	<u>\$ 7,191,485</u>	<u>\$ 300,035</u>	<u>\$ 7,491,520</u>	<u>6,428,886</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**NOTE 8 - INSURANCE COVERAGE:-**

During 2010 and 2009, the Township provided health insurance and Medicare tax reimbursement for the Trustees, the Road Superintendent, and the Fiscal Officer through Medical Mutual of Ohio and other personal insurance carriers. Total expenditures for these benefits were \$49,135 and \$51,825, respectively. Coverage was also provided to the full time Fire Fighters at a cost of approximately \$101,200 and \$61,700 for 2010 and 2009, respectively. The increase from 2009 to 2010 is primarily due to additional employees opting to receive insurance benefits through the Township.

**NOTE 9 - SUBSEQUENT EVENTS:-**

The Township evaluated subsequent events through September 15, 2011, the date which the financial statements were available to be issued.



**Independent Accountants' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by *Government Auditing Standards***

Board of Trustees  
Harlem Township  
Delaware County

We have audited the financial statements of Harlem Township, Delaware County, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated September 15, 2011, 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 *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 Harlem Township's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinions 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 do not express an opinion on the effectiveness of the Harlem Township's internal control over financial reporting.

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 financial statement misstatement will not be prevented, or detected and timely corrected.

Our consideration of the 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We did note certain internal control matters that we reported to the Township's management in a separate letter dated September 15, 2011.

**Compliance and Other Matters**

As part of reasonably assuring whether Harlem 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is discussed in the Schedule of Findings as item 2010-001.

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

We intended this report solely for the information and use of management, Board of Trustees, those within the township and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

*Shuller & Manton*

Certified Public Accountants

September 15, 2011

**HARLEM TOWNSHIP  
DELAWARE COUNTY  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009**

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

<b>Finding Number</b>	<b>2010-001</b>
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**Noncompliance Citation– Prior Certification of Expenditures**

Section 5705.41 (D), Ohio Revised Code, states that no subdivision shall make any contract or order any expenditure of money, unless a certificate of the Fiscal Officer is attached. The Fiscal Officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void.

During expenditure testing, we noted a few large transactions where the purchase orders were not completed prior to the expenditure. We recommend that all expenditures be approved prior to making purchases.

**Officials' Response**

The Fiscal Officer is reviewing the Township's current policies and procedures regarding the approval of expenditures prior to the making purchases.

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# Dave Yost • Auditor of State

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  
NOVEMBER 29, 2011