



**Auditor of State
Betty Montgomery**

HARLEM TOWNSHIP
DELAWARE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Harlem Township
Delaware County
14859 Center Village Road
Johnstown, Ohio 43031-9209

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, 2002, and December 31, 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002, and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Harlem Township
Delaware County
Independent Accountants' Report
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This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

BETTY MONTGOMERY
Auditor of State

April 7, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$175,230	\$230,778	\$62,921	\$468,929
Intergovernmental	76,806	96,883	7,959	181,648
Special Assessments	0	2,280	0	2,280
Licenses, Permits, and Fees	16,416	9,190	0	25,606
Earnings on Investments	4,124	371	0	4,495
Other Revenue	19,420	16,370	0	35,790
Total Cash Receipts	<u>291,996</u>	<u>355,872</u>	<u>70,880</u>	<u>718,748</u>
Cash Disbursements:				
Current:				
General Government	143,887	0	0	143,887
Public Safety	1,505	120,790	0	122,295
Public Works	0	161,796	0	161,796
Health	9,374	19,515	0	28,889
Conservation - Recreation	11,083	0	0	11,083
Debt Service:				
Redemption of Principal	0	0	50,000	50,000
Interest and Fiscal Charges	0	0	21,061	21,061
Capital Outlay	17,576	40,546	0	58,122
Total Cash Disbursements	<u>183,425</u>	<u>342,647</u>	<u>71,061</u>	<u>597,133</u>
Total Receipts Over/(Under) Disbursements	<u>108,571</u>	<u>13,225</u>	<u>(181)</u>	<u>121,615</u>
Other Financing Receipts and (Disbursements):				
Transfers-In	0	102,195	0	102,195
Transfers-Out	(102,195)	0	0	(102,195)
Other Sources	0	3,900	0	3,900
Total Other Financing Receipts/(Disbursements)	<u>(102,195)</u>	<u>106,095</u>	<u>0</u>	<u>3,900</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>6,376</u>	<u>119,320</u>	<u>(181)</u>	<u>125,515</u>
Fund Cash Balances, January 1	<u>106,365</u>	<u>264,916</u>	<u>3,073</u>	<u>374,354</u>
Fund Cash Balances, December 31	<u>\$112,741</u>	<u>\$384,236</u>	<u>\$2,892</u>	<u>\$499,869</u>
Reserve for Encumbrances, December 31	<u>\$304</u>	<u>\$711</u>	<u>\$0</u>	<u>\$1,015</u>

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, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$174,126	\$228,453	\$63,347	\$0	\$465,926
Intergovernmental	95,191	96,680	7,770	0	199,641
Special Assessments	0	2,368	0	0	2,368
Licenses, Permits, and Fees	11,668	4,085	0	0	15,753
Earnings on Investments	3,789	524	0	0	4,313
Other Revenue	10,262	14,684	0	0	24,946
Total Cash Receipts	<u>295,036</u>	<u>346,794</u>	<u>71,117</u>	<u>0</u>	<u>712,947</u>
Cash Disbursements:					
Current:					
General Government	136,139	0	0	0	136,139
Public Safety	2,202	98,232	0	0	100,434
Public Works	0	188,425	0	0	188,425
Health	7,887	12,275	0	0	20,162
Conservation - Recreation	6,723	0	0	0	6,723
Debt Service:					
Redemption of Principal	0	0	45,000	0	45,000
Interest and Fiscal Charges	0	0	24,043	0	24,043
Capital Outlay	2,475	60,165	0	802	63,442
Total Cash Disbursements	<u>155,426</u>	<u>359,097</u>	<u>69,043</u>	<u>802</u>	<u>584,368</u>
Total Receipts Over/(Under) Disbursements	<u>139,610</u>	<u>(12,303)</u>	<u>2,074</u>	<u>(802)</u>	<u>128,579</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	86,000	0	0	86,000
Transfers-Out	(86,000)	0	0	0	(86,000)
Other Sources	0	6,700	0	0	6,700
Total Other Financing Receipts/(Disbursements)	<u>(86,000)</u>	<u>92,700</u>	<u>0</u>	<u>0</u>	<u>6,700</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	53,610	80,397	2,074	(802)	135,279
Fund Cash Balances, January 1	52,755	184,519	999	802	239,075
Fund Cash Balances, December 31	<u><u>\$106,365</u></u>	<u><u>\$264,916</u></u>	<u><u>\$3,073</u></u>	<u><u>\$0</u></u>	<u><u>\$374,354</u></u>
Reserve for Encumbrances, December 31	\$511	\$991	\$0	\$0	\$1,502

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

**HARLEM TOWNSHIP
DELAWARE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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 general government services, including road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**HARLEM TOWNSHIP
DELAWARE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following 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.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital projects fund:

Issue II Fund - The Township received a grant from the State of Ohio in 2000 for the resurfacing of Township roads and was fully expended in 2001.

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.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**HARLEM TOWNSHIP
DELAWARE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2002	2001
Demand deposits	\$337,721	\$263,120
Certificates of deposit	162,148	111,234
Total deposits	\$499,869	\$374,354

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$315,285	\$291,996	(\$23,289)
Special Revenue	372,765	461,967	89,202
Debt Service	69,323	70,880	1,557
Total	\$757,373	\$824,843	\$67,470

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$299,283	\$285,924	\$13,359
Special Revenue	712,602	343,358	369,244
Debt Service	72,395	71,061	1,334
Total	\$1,084,280	\$700,343	\$383,937

**HARLEM TOWNSHIP
DELAWARE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$287,258	\$295,036	\$7,778
Special Revenue	371,044	439,494	68,450
Debt Service	70,141	71,117	976
Total	\$728,443	\$805,647	\$77,204

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,363	\$241,937	(\$1,574)
Special Revenue	621,023	360,088	260,935
Debt Service	73,579	69,043	4,536
Capital Projects	802	802	0
Total	\$935,767	\$671,870	\$263,897

Appropriations exceeded estimated resources in the Gas Tax fund by \$80,000 for the year ended December 31, 2002 and in the Permissive Motor Vehicle License Tax fund by \$79,587 for the year ended December 31, 2001.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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.

**HARLEM TOWNSHIP
DELAWARE COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$250,000	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:

	General Obligation Bonds
Year ending December 31:	
2003	\$71,625
2004	72,968
2005	73,978
2006	74,655
Total	\$293,226

6. RETIREMENT SYSTEM

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of 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, 2002.

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 and dental and vision coverage to full-time employees through a private carrier.

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Harlem Township
Delaware County
14859 Center Village Road
Johnstown, Ohio 43031-9209

To the Board of Trustees:

We have audited the financial statements of Harlem Township, Delaware County, Ohio, (the Township) as of and for the year ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated April 7, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-40621-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 7, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reports that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 7, 2003.

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Harlem Township
Delaware County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

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

BETTY MONTGOMERY
Auditor of State

April 7, 2003

**HARLEM TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-40621-001

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

Appropriations exceeded estimated resources in the Gas Tax fund by \$80,000 for the year ended December 31, 2002, and in the Permissive Motor Vehicle License Tax fund by \$79,587 for the year ended December 31, 2001.

**HARLEM TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-40621-001	Ohio Rev. Code Section 5705.41 (B), expenditures exceeding appropriations	No	Partially Corrected, citation included in current year management letter



**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
JUNE 3, 2003**