



Dave Yost • Auditor of State



**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**TABLE OF CONTENTS**

| <b>TITLE</b>   | <b>PAGE</b> |
|--|-------------|
| Independent Auditor's Report .....   | 1           |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Cash Balances (Cash Basis) - All Governmental Fund Types -<br>For the Year Ended December 31, 2013 ..... | 3           |
| Combined Statement of Receipts, Disbursements, and Changes in<br>Fund Cash Balances (Cash Basis) - All Governmental Fund Types -<br>For the Year Ended December 31, 2012 ..... | 4           |
| Statement of Receipts, Disbursements, and Changes in<br>Fund Cash Balances (Cash Basis) - Fiduciary Fund Type -<br>For the Year Ended December 31, 2012 .....                  | 5           |
| Notes to the Financial Statements .....  | 7           |
| Independent Auditor's Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> .....     | 15          |
| Schedule of Findings .....   | 17          |
| Schedule of Prior Audit Findings .....   | 19          |

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Henrietta Township  
Lorain County  
10413 Vermilion Road  
Oberlin, Ohio 44074

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Henrietta Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Henrietta Township, Lorain County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

November 24, 2014

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

|   | General          | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Permanent     | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|-----------------|---------------------|---------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                 |                     |               |                                |
| Property and Other Local Taxes                        | \$ 50,403        | \$ 149,465         |                 |                     |               | \$ 199,868                     |
| Licenses, Permits and Fees                            | 5,025            |                    |                 |                     |               | 5,025                          |
| Intergovernmental                                     | 55,153           | 115,461            |                 | \$ 51,290           |               | 221,904                        |
| Miscellaneous   | 23,709           |                    |                 |                     |               | 23,709                         |
| <i>Total Cash Receipts</i>                            | <u>134,290</u>   | <u>264,926</u>     |                 | <u>51,290</u>       |               | <u>450,506</u>                 |
| <b>Cash Disbursements</b>                             |                  |                    |                 |                     |               |                                |
| Current:  |                  |                    |                 |                     |               |                                |
| General Government                                    | 101,478          |                    |                 |                     |               | 101,478                        |
| Public Safety   |                  | 39,838             |                 |                     |               | 39,838                         |
| Public Works  | 17,276           | 188,521            |                 |                     |               | 205,797                        |
| Health  | 14,070           |                    |                 |                     |               | 14,070                         |
| Human Services  | 21,696           | 20,400             |                 |                     |               | 42,096                         |
| Capital Outlay  | 11               | 1,638              |                 | 51,290              |               | 52,939                         |
| Debt Service:   |                  |                    |                 |                     |               |                                |
| Principal Retirement                                  |                  |                    | \$ 8,091        |                     |               | 8,091                          |
| Interest and Fiscal Charges                           |                  |                    | 188             |                     |               | 188                            |
| <i>Total Cash Disbursements</i>                       | <u>154,531</u>   | <u>250,397</u>     | <u>8,279</u>    | <u>51,290</u>       |               | <u>464,497</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(20,241)</u>  | <u>14,529</u>      | <u>(8,279)</u>  |                     |               | <u>(13,991)</u>                |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                 |                     |               |                                |
| Transfers In  |                  |                    | 8,279           |                     |               | 8,279                          |
| Transfers Out   | (8,279)          |                    |                 |                     |               | (8,279)                        |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(8,279)</u>   |                    | <u>8,279</u>    |                     |               |                                |
| <i>Net Change in Fund Cash Balances</i>               | (28,520)         | 14,529             |                 |                     |               | (13,991)                       |
| <i>Fund Cash Balances, January 1</i>                  | <u>71,509</u>    | <u>321,853</u>     | <u>372</u>      | <u>1,275</u>        | <u>789</u>    | <u>395,798</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                  |                    |                 |                     |               |                                |
| Nonspendable  |                  |                    |                 |                     | 789           | 789                            |
| Restricted  |                  | 336,382            | 372             | 1,275               |               | 338,029                        |
| Unassigned (Deficit)                                  | 42,989           |                    |                 |                     |               | 42,989                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$ 42,989</u> | <u>\$ 336,382</u>  | <u>\$ 372</u>   | <u>\$ 1,275</u>     | <u>\$ 789</u> | <u>\$ 381,807</u>              |

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

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | General          | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Permanent     | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|-----------------|---------------------|---------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                 |                     |               |                                |
| Property and Other Local Taxes                        | \$ 51,976        | \$ 152,221         |                 |                     |               | \$ 204,197                     |
| Licenses, Permits and Fees                            | 3,047            |                    |                 |                     |               | 3,047                          |
| Intergovernmental                                     | 46,079           | 113,926            |                 | \$ 63,659           |               | 223,664                        |
| Earnings on Investments                               | 1                |                    |                 |                     |               | 1                              |
| Miscellaneous   | 20,063           | 14                 |                 |                     |               | 20,077                         |
| <i>Total Cash Receipts</i>                            | <u>121,166</u>   | <u>266,161</u>     |                 | <u>63,659</u>       |               | <u>450,986</u>                 |
| <b>Cash Disbursements</b>                             |                  |                    |                 |                     |               |                                |
| Current:  |                  |                    |                 |                     |               |                                |
| General Government                                    | 100,551          |                    |                 |                     |               | 100,551                        |
| Public Safety   |                  | 40,660             |                 |                     |               | 40,660                         |
| Public Works  | 22,263           | 163,278            |                 |                     |               | 185,541                        |
| Health  | 15,950           |                    |                 |                     |               | 15,950                         |
| Human Services  | 15,334           | 17,734             |                 |                     |               | 33,068                         |
| Capital Outlay  |                  | 4,500              |                 | 63,659              |               | 68,159                         |
| Debt Service:   |                  |                    |                 |                     |               |                                |
| Principal Retirement                                  |                  |                    | \$ 16,008       |                     |               | 16,008                         |
| Interest and Fiscal Charges                           |                  |                    | 552             |                     |               | 552                            |
| <i>Total Cash Disbursements</i>                       | <u>154,098</u>   | <u>226,172</u>     | <u>16,560</u>   | <u>63,659</u>       |               | <u>460,489</u>                 |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>(32,932)</u>  | <u>39,989</u>      | <u>(16,560)</u> |                     |               | <u>(9,503)</u>                 |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                 |                     |               |                                |
| Transfers In  |                  |                    | 16,932          |                     |               | 16,932                         |
| Transfers Out   | (16,932)         |                    |                 |                     |               | (16,932)                       |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(16,932)</u>  |                    | <u>16,932</u>   |                     |               |                                |
| <i>Net Change in Fund Cash Balances</i>               | <u>(49,864)</u>  | <u>39,989</u>      | <u>372</u>      |                     |               | <u>(9,503)</u>                 |
| <i>Fund Cash Balances, January 1</i>                  | <u>121,373</u>   | <u>281,864</u>     |                 | <u>1,275</u>        | <u>\$ 789</u> | <u>405,301</u>                 |
| <b>Fund Cash Balances, December 31</b>                |                  |                    |                 |                     |               |                                |
| Nonspendable  |                  |                    |                 |                     | 789           | 789                            |
| Restricted  |                  | 321,853            | 372             | 1,275               |               | 323,500                        |
| Unassigned (Deficit)                                  | 71,509           |                    |                 |                     |               | 71,509                         |
| <i>Fund Cash Balances, December 31</i>                | <u>\$ 71,509</u> | <u>\$ 321,853</u>  | <u>\$ 372</u>   | <u>\$ 1,275</u>     | <u>\$ 789</u> | <u>\$ 395,798</u>              |

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



HENRIETTA TOWNSHIP  
LORAIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2012

|   | <u>Fiduciary Fund Type</u> |
|---|----------------------------|
|   | <u>Agency</u>              |
| <b>Operating Cash Receipts</b>            |                            |
| Building deposits                         | <u>\$ 500</u>              |
| <i>Total Operating Cash Receipts</i>      | <u>500</u>                 |
| <b>Operating Cash Disbursements</b>       |                            |
| Purchased Services                        | <u>1,000</u>               |
| <i>Total Operating Cash Disbursements</i> | <u>1,000</u>               |
| <i>Net Change in Fund Cash Balances</i>   | (500)                      |
| <i>Fund Cash Balances, January 1</i>      | <u>500</u>                 |
| <i>Fund Cash Balances, December 31</i>    | <u><u>500</u></u>          |

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

**This page intentionally left blank.**

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**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 Henrietta Township, Lorain 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 and cemetery maintenance. The Township contracts with the Camden and Florence Townships, and the Village of South Amherst to provide fire services and the Central Lorain County Ambulance District to provide ambulance services.

The Township participates in Ohio Township Association Risk Management Authority a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits 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 investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

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

Special Levy Fund - This fund receives property tax and intergovernmental monies to pay for fire protection and EMS services.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

General Debt Retirement Fund - This fund makes principal and interest payment for their mower and tractor lease-purchase agreements.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Public Works Fund - The Township received a grant from the State of Ohio to repair and resurface township roads.

**5. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Kellogg Endowment Fund - This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**6. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for refundable zoning permits.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources.

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. 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.

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(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:

|                                | 2013      | 2012      |
|--------------------------------|-----------|-----------|
| Demand deposits                | \$381,807 | \$394,100 |
| STAR Ohio                      |           | 1,698     |
| Total deposits and investments | \$381,807 | \$395,798 |

**Deposits:** Deposits are 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 ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
|------------------|----------------------|--------------------|------------|
| General          | \$145,062            | \$134,290          | (\$10,772) |
| Special Revenue  | 284,470              | 264,926            | (19,544)   |
| Debt Service     | 8,279                | 8,279              | 0          |
| Capital Projects | 51,290               | 51,290             | 0          |
| Permanent        | 1                    | 0                  | (1)        |
| Fiduciary        | 1,500                | 0                  | (1,500)    |
| Total            | \$490,602            | \$458,785          | (\$31,817) |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type        | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance |
|------------------|----------------------------|---------------------------|----------|
| General          | \$201,800                  | \$162,810                 | \$38,990 |
| Special Revenue  | 296,900                    | 250,397                   | 46,503   |
| Debt Service     | 8,279                      | 8,279                     | 0        |
| Capital Projects | 52,565                     | 51,290                    | 1,275    |
| Permanent        | 1                          | 0                         | 1        |
| Total            | \$559,545                  | \$472,776                 | \$86,769 |

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

| 2012 Budgeted vs. Actual Receipts |                      |                    |            |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
| General                           | \$154,646            | \$121,166          | (\$33,480) |
| Special Revenue                   | 101,860              | 266,161            | 164,301    |
| Debt Service                      | 17,055               | 16,932             | (123)      |
| Capital Projects                  | 63,659               | 63,659             | 0          |
| Permanent                         | 1                    | 0                  | (1)        |
| Fiduciary                         | 1,500                | 500                | (1,000)    |
| Total                             | \$338,721            | \$468,418          | \$129,697  |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$224,800                  | \$171,030                 | \$53,770  |
| Special Revenue                                       | 275,600                    | 226,172                   | 49,428    |
| Debt Service  | 16,560                     | 16,560                    | 0         |
| Capital Projects                                      | 63,659                     | 63,659                    | 0         |
| Permanent   | 1                          | 0                         | 1         |
| Fiduciary   | 2,000                      | 1,000                     | 1,000     |
| Total   | \$582,620                  | \$478,421                 | \$104,199 |

**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.

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

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

**5. 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.



**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**5. Retirement Systems (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**6. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

|              | <u>2013</u>  | <u>2012</u>  |
|--------------|--------------|--------------|
| Assets       | \$34,954,286 | \$34,771,270 |
| Liabilities  | 8,486,363    | 9,355,082    |
| Net Position | \$26,467,923 | \$25,416,188 |

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Risk Management (Continued)**

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

| <b><u>Contributions to OTARMA</u></b> |                    |
|---------------------------------------|--------------------|
| <b><u>2013</u></b>                    | <b><u>2012</u></b> |
| \$9,082                               | \$8,991            |

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**8. Subsequent Events**

On September 30, 2014, the Township requested an increase of inside millage from the County Budget Commission to address a deficiency in the General Fund. The County approved the increase and the additional millage is projected to provide an additional \$66,000 in property tax revenue for the General Fund beginning in 2015.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Henrietta Township  
Lorain County  
10413 Vermilion Road  
Oberlin, Ohio 44074

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Henrietta Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated November 24, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses

***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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  
Columbus, Ohio

November 24, 2014

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2013-001**

**Material Weakness - Recording "On-Behalf-Of" Grants**

Auditor of State Bulletin 2000-008 states that when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be record.

Auditor of State Bulletin 2002-004 states that all local governments participating in Issue 2 Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue 2 monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received benefit from the project.

In 2013, Ohio Public Works Commission expended \$51,920 directly to contractors on behalf of the Township. These monies were not recorded in the Township's financial statements.

Failure to record the "on-behalf-of" grants resulted in inaccurate financial statements in 2013.

Management adjusted the accompanying financial statements and budgetary activity to reflect these amounts in the Capital Project Fund.

When approved for funding by a State or Federal agency, the Township should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of the Ohio Revised Code. When the Township receives notice that funds will be expended on its behalf, the Township should certify the available resources to the County Budget Commission and amend appropriations to account for the expected grant receipts and expenditures. The Township should also record memorandum receipt and expenditure transactions on the Township's books to account for any payments made on its behalf.

**Official's Response:**

The Township declined to respond.

## FINDING NUMBER 2013-002

### Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure that the information provided to the readers of the financial statements is complete and accurate.

In 2013 the following balances, receipts and expenditures were improperly classified:

- A Local Government Support receipt totaling \$2,000 was incorrectly posted to the Gas Tax Fund rather than to the General Fund.
- A Fund balance adjustment totaling \$1,698 was incorrectly posted to the Capital Projects Fund and a negative receipt entry totaling \$1,698 was incorrectly posted to the Gas Tax Fund to account for the closing of the Townships STAR Ohio investment account.
- Ohio Public Works Commission activity totaling \$51,290 was not posted to the accounting system and should have been posted to a Capital Projects Fund as Intergovernmental Revenue and Capital Outlay, respectively.

In 2012 the following balances and receipts were improperly classified:

- A Solid Waste Grant receipt totaling \$5,000 was incorrectly posted to Miscellaneous Revenue in the General Fund rather than to Intergovernmental Revenue.
- Beginning fund balance in the General Fund was overstated by \$5,000 and the Special Revenue Fund; Miscellaneous Grants Fund was understated by \$5,000 since the Township did not post a prior year agreed upon audit adjustment to its accounting system.

All adjustments have been made to the financial statements and accounting records.

We recommend the Township adopt policies and procedures for controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

### Official's Response:

The Township declined to respond.

**HENRIETTA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

| 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> |
|----------------|--|------------------|--|
| 2011-01        | Posting to Improper Fund - Material Weakness and Noncompliance Finding – Township incorrectly posted real estate property tax monies to the General Fund that belonged to the Road and Bridge Fund and Special Levy Fund     | Yes              |  |
| 2011-02        | Permanent Fund Original Documentation – Material Weakness – The Township has no records to support the original donation and constraints placed upon it by the donor which according to the Township occurred in the 1920's. | No               | Included as a management letter comment.   |

**This page intentionally left blank.**





# Dave Yost • Auditor of State

**HENRIETTA TOWNSHIP**

**LORAIN 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 9, 2014**