



Dave Yost • Auditor of State

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

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Dave Yost • Auditor of State

Henrietta Township
Lorain County
10413 Vermilion Road
Oberlin, Ohio 44074

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

January 8, 2013

Lausche Building, 615 Superior Ave., NW, Twelfth Floor, Cleveland, Ohio 44113-1801

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Henrietta Township
Lorain County
10413 Vermilion Road
Oberlin, Ohio 44074

To the Board of Trustees:

We have audited the accompanying financial statements of Henrietta Township, Lorain County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010. 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.

Except as noted below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidential matter supporting the fund classification for the permanent fund during 2010 and 2011. Additionally we were unable to obtain sufficient evidential matter supporting the amount recorded within fund balance classifications for the permanent fund during 2011.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of adjustments to the financial statements or disclosures, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding the 2010 and 2011 permanent fund classification and the 2011 permanent fund balance classifications as described in paragraph 3, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Henrietta Township, Lorain County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, during 2011 Henrietta Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, 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.



Dave Yost
Auditor of State

January 8, 2013

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$54,372	\$161,652	\$0	\$0	\$0	\$216,024
Licenses, Permits and Fees	7,853	0	0	0	0	7,853
Intergovernmental	106,407	114,191	0	98,323	0	318,921
Earnings on Investments	2	0	0	0	1	3
Miscellaneous	1,533	0	0	0	0	1,533
<i>Total Cash Receipts</i>	<u>170,167</u>	<u>275,843</u>	<u>0</u>	<u>98,323</u>	<u>1</u>	<u>544,334</u>
Cash Disbursements						
Current:						
General Government	107,919	0	0	0	0	107,919
Public Safety	0	40,045	0	0	0	40,045
Public Works	7,481	198,019	0	0	0	205,500
Health	8,323	0	0	0	0	8,323
Human Services	14,534	23,921	0	0	0	38,455
Capital Outlay	17,654	644	0	98,323	0	116,621
Debt Service:						
Principal Retirement	0	0	14,933	0	0	14,933
Interest and Fiscal Charges	0	0	1,626	0	0	1,626
				0		
<i>Total Cash Disbursements</i>	<u>155,911</u>	<u>262,629</u>	<u>16,559</u>	<u>98,323</u>	<u>0</u>	<u>533,422</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,256</u>	<u>13,214</u>	<u>(16,559)</u>	<u>0</u>	<u>1</u>	<u>10,912</u>
Other Financing Receipts (Disbursements)						
Transfers In	0	0	16,559	0	0	16,559
Transfers Out	(16,559)	0	0	0	0	(16,559)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(16,559)</u>	<u>0</u>	<u>16,559</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,303)</u>	<u>13,214</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>10,912</u>
<i>Fund Cash Balances, January 1</i>	<u>123,676</u>	<u>268,650</u>	<u>0</u>	<u>1,275</u>	<u>788</u>	<u>394,389</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	789	789
Restricted	0	281,864	0	1,275	0	283,139
Unassigned (Deficit)	121,373	0	0	0	0	121,373
<i>Fund Cash Balances, December 31</i>	<u>\$121,373</u>	<u>\$281,864</u>	<u>\$0</u>	<u>\$1,275</u>	<u>\$789</u>	<u>\$405,301</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)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Fiduciary Fund</u>
	<u>Agency</u>
Cash Receipts	
Building Deposits	\$500
<i>Total Cash Receipts</i>	<u>500</u>
<i>Fund Cash Balances, January 1</i>	<u>0</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.

HENRIETTA TOWNSHIP
LORAIN COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types					Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	Agency Fund	
Cash Receipts:							
Property and Other Local Taxes	\$53,950	\$158,091	\$0	\$0	\$0	\$0	\$212,041
Licenss, Permits, and Fees	4,197	0	0	0	0	0	4,197
Intergovernmental	61,928	133,553	0	0	0	0	195,481
Earnings on Investments	59	0	0	0	1	0	60
Miscellaneous	1,178	0	0	0	0	0	1,178
Total Cash Receipts	121,312	291,644	0	0	1	0	412,957
Cash Disbursements:							
Current:							
General Government	104,536	0	0	0	0	866	105,402
Public Safety	0	41,409	0	0	0	0	41,409
Public Works	21,438	174,882	0	0	0	0	196,320
Health	8,149	0	0	0	0	0	8,149
Human Services	16,082	10,102	0	0	0	0	26,184
Capital Outlay	86,277	1,522	0	60,000	0	0	147,799
Debt Service:							
Redemption of Principal	0	0	14,262	0	0	0	14,262
Interest and Other Fiscal Charges	0	0	2,297	0	0	0	2,297
Total Cash Disbursements	236,482	227,915	16,559	60,000	0	866	541,822
Total Receipts Over/(Under) Disbursements	(115,170)	63,729	(16,559)	(60,000)	1	(866)	(128,865)
Other Financing Receipts / (Disbursements):							
Transfers-In	0	0	16,559	0	0	0	16,559
Transfers-Out	(16,559)	0	0	0	0	0	(16,559)
Total Other Financing Receipts / (Disbursements)	(16,559)	0	16,559	0	0	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Receipts / (Disbursements)	(131,729)	63,729	0	(60,000)	1	(866)	(128,865)
Fund Cash Balances, January 1	255,405	204,921	0	61,275	787	866	523,254
Fund Cash Balances, December 31	\$123,676	\$268,650	\$0	\$1,275	\$788	\$0	\$394,389

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

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**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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, (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's police protection is provided by the Lorain County Sheriff's department. The Township contracts with Camden Township, Florence Township, and the Village of South Amherst for its fire and ambulance services.

The Township participates in OTARMA, a public entity risk pool. Note 8 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes 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 reports all financial resources except those required to be accounted for in another fund.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 1- Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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 help pay for fire protection and EMS services.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay for the township mower and tractor lease agreements. The Township had the following significant Debt Service Fund.

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

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Public Works Projects Fund - The Township received a grant from the State of Ohio to resurface Township Roads.

5. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant Permanent Fund:

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

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.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

Note 1- Summary of Significant Accounting Policies (Continued)

6. Fiduciary Funds (Continued)

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 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 canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, 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. The classifications are as follows:

1. Nonspendable

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

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

F. Fund Balances (Continued)

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, 2011 AND 2010**

2. Change in Accounting Principle

For Fiscal Year 2011, the Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently and by clarifying the existing governmental fund type definitions. The implementation of this statement did not have an effect on the Townships financial statement.

3. 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:

	2011	2010
Demand deposits	\$404,104	\$392,693
Total deposits	404,104	392,693
STAR Ohio	1,697	1,696
Total investments	1,697	1,696
Total deposits and investments	\$405,801	\$394,389

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 as follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$160,961	\$170,167	\$9,206
Special Revenue	296,473	275,843	(20,630)
Debt Service	17,056	16,559	(497)
Capital Projects	103,323	98,323	(5,000)
Permanent	1	1	0
Fiduciary	1,500	500	(1,000)
Total	\$579,314	\$561,393	(\$17,921)

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,200	\$172,470	\$58,730
Special Revenue	324,000	262,629	61,371
Debt Service	16,559	16,559	0
Capital Projects	103,598	98,323	5,275
Permanent	1	0	1
Fiduciary	1,500	0	1,500
Total	\$676,858	\$549,981	\$126,877

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$164,992	\$121,312	(\$43,680)
Special Revenue	290,520	291,644	1,124
Debt Service	16,559	16,559	0
Capital Projects	206	0	(206)
Permanent	1	1	0
Fiduciary	1,500	0	(1,500)
Total	\$473,778	\$429,516	(\$44,262)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$339,400	\$253,041	\$86,359
Special Revenue	299,500	227,915	71,585
Debt Service	16,559	16,559	0
Capital Projects	60,000	60,000	0
Permanent	1	0	1
Fiduciary	1,500	866	634
Total	\$716,960	\$558,381	\$158,579

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5 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 June 20.

Public utilities are 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.

6. Capital Lease Obligations

Capital Lease outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Mower Tractor Lease	\$23,727	5%
Total	\$23,727	

The Township entered into a lease agreement for the purchase of a Tractor/Mower with OTA Leasing Branch for five years at \$73,000 plus interest. The total lease rental payment is \$82,795 and payments began in November 2008.

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

	Tractor/Motor Lease
Year ending December 31:	
2012	\$16,560
2013	8,279
Total	\$24,839

7. Retirement Systems

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

For 2011 and 2010, 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, 2011.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. 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. American Risk Pooling Consultants Inc, (ARPCO), a division of York Insurance Services Group, Inc (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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 statement (audited by other accountants) conform with generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Cash and investments	\$35,086,165	\$35,855,252
Actuarial liabilities	(\$9,718,792)	(\$10,664,724)
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

As of December 31, 2011 and 2010 respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31 2011 and 2010 respectively. These amounts will be included in the future contributions from members when related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. Risk Management (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$8,716	\$7,403

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.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Henrietta Township
Lorain County
10413 Vermilion Road
Oberlin, Ohio 44074

To the Board of Trustees:

We have audited the financial statements of Henrietta Township; Lorain County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated January 8, 2013 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 and adopted Governmental Accounting Standards Board Statement No 54. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code 117.11(A) mandates the Auditor of State to audit Ohio governments. We qualified our opinion due to the lack of sufficient, appropriate evidential matter for the fund classification and the amounts reported as fund balance of the permanent fund. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 8, 2013.

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

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



Dave Yost
Auditor of State

January 8, 2013

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Posting to Improper Fund - Material Weakness and Noncompliance Finding

Ohio Rev. Code Section 5705.10(A) prescribes that all revenue derived from the general levy for current expenses within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. Ohio Rev. Code Section 5705.10(C) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. Sound financial reporting is the responsibility of management and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In 2011 the Township posted Real Estate Property Tax monies to the General Fund that belonged to the Road and Bridge Fund and the Special Levy Fund. As a result the following occurred:

- General Fund Property and Other Local Taxes were overstated by \$70,748;
- General Fund General Government Disbursement were understated by \$5,228;
- Road and Bridge Fund Property and Other Local Taxes was understated by \$40,556; and
- Special Levy Fund Property and Other Local Taxes was understated by \$35,420

As a result, adjustments have been posted to the Township's accounting records and 2011 financial statements.

Failure to post receipts to the proper fund could lead to an improper expenditure of monies that are restricted to a particular purpose. Furthermore, the lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

The Township should adopt policies and procedures for controls over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data.

Officials' Response: The Township declined to respond.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2011-02

Permanent Fund Original Documentation – Material Weakness

Governmental Accounting Standards Board Statement No. 54 defines Permanent Funds as funds to be used to 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 – that is, for the benefit of the government or its citizenry. The fund balance attributed to the corpus should be classified as nonspendable and any earnings on the corpus should be classified as restricted.

According to the Township, the Kellogg Trust Fund was established in the 1920's for the purpose of providing maintenance and general upkeep of the Township's cemetery. The Township has classified this fund as a permanent fund, however no records exist to support the original donation and constraints placed upon it by the donor.

Without this documentation it is not possible to determine whether any applicable expenditures are made in accordance with the intended constraints and limited to only interest earnings and not original principal. It also is not possible to determine the appropriate fund balance classifications for the permanent fund because the original corpus amount is not known. These limitations cause inaccurate and incomplete financial statements and contributed to a qualified opinion on the financial statements.

We recommend the Township research their Kellogg Trust Fund to procure documentation to determine the original donation and the constraints imposed to appropriately make disbursements from the permanent fund and to classify the fund balance.

Officials' Response: The Township declined to respond.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Finding for Adjustment/Material Weakness/Non-Compliance Finding	No	Repeated as Finding 2011-01
2009-002	Ohio Public Works Commission	Yes	Finding no longer valid
2009-003	Financial Reporting	No	Repeated as Finding 2011-01
2009-004	Expenditures in Excess of Appropriations	Yes	Finding no longer valid

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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
JANUARY 22, 2013