



Mary Taylor, CPA
Auditor of State

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

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Mary Taylor, CPA
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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 Township 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.

Mary Taylor

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September 3, 2010

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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, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Township restated the January 1, 2008 fund balances of the Special Revenue funds and the Capital Projects funds to properly classify a grant fund.

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.

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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, 2009 and 2008 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, 2009 and 2008 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Henrietta Township, Lorain County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 3, 2010

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types					Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	Agency	
Cash Receipts:							
Local Taxes	\$55,775	\$164,902	\$0	\$0	\$0	\$0	\$220,677
Intergovernmental	88,435	141,010	0	98,817	0	0	328,262
Licenses, Permits, and Fees	2,339	0	0	0	0	0	2,339
Earnings on Investments	497	0	0	0	1	0	498
Other Revenue	1,467	0	0	0	0	0	1,467
Total Cash Receipts	148,513	305,912	0	98,817	1	0	553,243
Cash Disbursements:							
Current:							
General Government	103,055	0	0	0	0	2,500	105,555
Public Safety	0	31,360	0	0	0	0	31,360
Public Works	16,502	173,531	0	0	0	0	190,033
Health	8,347	0	0	0	0	0	8,347
Human Services	18,995	14,871	0	0	0	0	33,866
Capital Outlay	0	45,446	0	100,607	0	0	146,053
Debt Service:							
Redemption of Principal	0	0	13,621	0	0	0	13,621
Interest and Other Fiscal Charges	0	0	2,938	0	0	0	2,938
Total Cash Disbursements	146,899	265,208	16,559	100,607	0	2,500	531,773
Total Receipts Over/(Under) Disbursements	1,614	40,704	(16,559)	(1,790)	1	(2,500)	21,470
Other Financing Receipts and (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 Disbursements	(14,945)	40,704	0	(1,790)	1	(2,500)	21,470
Fund Cash Balances, January 1, 2009	270,350	164,217	0	63,065	786	3,366	501,784
Fund Cash Balances, December 31, 2009	\$255,405	\$204,921	\$0	\$61,275	\$787	\$866	\$523,254

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 CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types					Fiduciary Funds	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	Agency	
Cash Receipts:							
Local Taxes	\$54,025	\$173,076	\$0	\$0	\$0	\$0	\$227,101
Intergovernmental	154,570	131,316	0	43,500	0	0	329,386
Licenses, Permits, and Fees	6,960	0	0	0	0	0	6,960
Earnings on Investments	3,870	115	0	0	0	0	3,985
Other Revenue	6,067	0	0	0	0	2,000	8,067
Total Cash Receipts	<u>225,492</u>	<u>304,507</u>	<u>0</u>	<u>43,500</u>	<u>0</u>	<u>2,000</u>	<u>575,499</u>
Cash Disbursements:							
Current:							
General Government	109,637	0	0	0	0	1,500	111,137
Public Safety	0	61,992	0	0	0	0	61,992
Public Works	14,765	177,233	0	0	0	0	191,998
Health	8,859	0	0	0	1	0	8,860
Human Services	17,448	28,292	0	0	0	0	45,740
Capital Outlay	0	31,704	0	43,500	0	0	75,204
Debt Service:							0
Redemption of Principal	0	0	6,774	0	0	0	6,774
Interest and Other Fiscal Charges	0	0	1,506	0	0	0	1,506
Total Cash Disbursements	<u>150,709</u>	<u>299,221</u>	<u>8,280</u>	<u>43,500</u>	<u>1</u>	<u>1,500</u>	<u>503,211</u>
Total Receipts Over/(Under) Disbursements	<u>74,783</u>	<u>5,286</u>	<u>(8,280)</u>	<u>0</u>	<u>(1)</u>	<u>500</u>	<u>72,288</u>
Other Financing Receipts and (Disbursements):							
Sale of Fixed Assets	89	0	0	0	0	0	89
Transfers-In	0	0	8,280	0	0	0	8,280
Transfers-Out	(8,280)	0	0	0	0	0	(8,280)
Total Other Financing Receipts/(Disbursements)	<u>(8,191)</u>	<u>0</u>	<u>8,280</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>89</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	66,592	5,286	0	0	(1)	500	72,377
Fund Cash Balances, January 1, 2008	203,758	158,931	0	63,065	787	2,866	429,407
Fund Cash Balances, December 31, 2008	<u>\$270,350</u>	<u>\$164,217</u>	<u>\$0</u>	<u>\$63,065</u>	<u>\$786</u>	<u>\$3,366</u>	<u>\$501,784</u>

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

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

Note 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, cemetery maintenance, fire protection and emergency medical services. The Township's police protection is provided by the Lorain County Sheriff.

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. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The 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:

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, 2009 AND 2008
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond Retirement – This fund makes principle and interest payments for their mower and tractor lease-purchase agreement.

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 Gifford and Dean Roads.

Permanent Fund

This fund accounts 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:

Kellogg Permanent 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, 2009 AND 2008
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

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 had the following significant Fiduciary Fund:

Agency Fund – This fund is used to account for refundable zoning permits.

E. Budgetary Process

The Ohio Revised Code requires that each fund, with the exception of the agency fund, be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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, 2009 AND 2008
(Continued)**

Note 2 – Restatement of Fund Balances

The Township restated the January 1, 2008 fund balances of the Special Revenue funds and the Capital Projects funds to properly classify the Solid Waste Grant Fund from a Capital Projects fund to a Special Revenue fund. The reclassification had the following effect on the financial statements.

	Special Revenue	Capital Projects
Fund Balance Previously Reported	\$157,890	\$64,106
Solid Waste Grant Fund Balance	1,041	(1,041)
Restated January 1, 2008 Fund Balance	\$158,931	\$63,065

Note 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:

	2009	2008
Demand deposits	\$394,620	\$373,504
Total deposits	394,620	373,504
STAR Ohio	128,634	128,280
Total investments	128,634	128,280
Total deposits and investments	\$523,254	\$501,784

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged 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.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and December 31, 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,191	\$148,513	(\$17,678)
Special Revenue	306,265	305,912	(353)
Debt Service	16,559	16,559	0
Capital Projects	98,817	98,817	0
Permanent	2	1	(1)
Fiduciary	1,545	0	(1,545)
Total	\$589,379	\$569,802	(\$19,577)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$258,700	\$163,458	\$95,242
Special Revenue	378,879	265,208	113,671
Debt Service	16,559	16,559	0
Capital Projects	3,066	100,607	(97,541)
Permanent	1	0	1
Fiduciary	3,500	2,500	1,000
Total	\$660,705	\$548,332	\$112,373

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$176,881	\$225,581	\$48,700
Special Revenue	298,808	304,507	5,699
Debt Service	0	8,280	8,280
Capital Projects	43,500	43,500	0
Permanent	0	0	0
Fiduciary	1,500	2,000	500
Total	\$520,689	\$583,868	\$63,179

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 4 - Budgetary Activity (Continued)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$283,000	\$158,989	\$124,011
Special Revenue	419,699	299,221	120,478
Debt Service	8,280	8,280	0
Capital Projects	60,000	43,500	16,500
Permanent	11	1	10
Fiduciary	4,000	1,500	2,500
Total	\$774,990	\$511,491	\$263,499

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works Commission fund by \$98,817 and the Solid Waste Grant fund by \$14,158 for the year ended December 31, 2009.

Note 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 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 for 2008 and only against local and inter-exchange telephone companies for 2009, 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.

Note 6 - Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Note Issued for Tractor / Mower lease	\$57,957	5%
Total	\$57,957	

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 6 – Debt (Continued)

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 lease, including interest, is scheduled as follows:

Year ending December 31:	<u>Tractor / Mower lease</u>
2010	\$16,559
2011	16,559
2012	16,560
2013	<u>8,279</u>
Total	<u><u>\$57,957</u></u>

Note 7 - Retirement System

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

For 2009 and 2008, 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, 2009.

Note 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 ARPCO. 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

Note 8 - Risk Management (Continued)

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, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	(12,880,766)	(12,981,818)
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

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.

<u>Contributions to OTARMA</u>	
<u>2009</u>	<u>2008</u>
\$5,668	\$7,045

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.



Mary Taylor, CPA

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 the Henrietta Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 3, 2010, wherein we noted the Township restated the January 1, 2008 fund balances of the Special Revenue funds and Capital Projects funds to properly classify a grant fund. We also noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

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 2009-001 through 2009-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001, 2009-002 and 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 3, 2010.

The Township's responses to the findings identified in our audit are 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.



Mary Taylor, CPA
Auditor of State

September 3, 2010

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Finding for Adjustment / Material Weakness / Noncompliance Finding

Ohio Rev. Code Section 5705.10 states 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 is to be paid into a special fund for such purpose. Failure to post receipts to the proper fund could lead to an improper expenditure of monies that are restricted for a particular purpose.

In 2009, the Township posted Personal Property, Electric and Gas Deregulation monies, and both the first and second half Homestead and Rollback monies to the General fund that belonged to the Road and Bridge fund and the Special Levy fund. In addition, personal property state reimbursements belonging to the Road and Bridge fund and the Special Levy fund were posted to the Motor Vehicle License Tax fund. As a result, the following occurred:

- General Fund intergovernmental revenue was overstated by \$27,087;
- Motor Vehicle License Tax fund (a special revenue fund) intergovernmental revenue was overstated by \$755;
- Road and Bridge fund (a special revenue fund) intergovernmental revenue was understated by \$14,583; and
- Special Levy fund (a special revenue fund) intergovernmental revenue was understated by \$13,259.

In 2008, the Township posted Personal Property State Reimbursement and Electric and Gas Deregulation monies to the General Fund belonging to the Road and Bridge fund and the Special Levy fund. As a result, the following occurred:

- General fund intergovernmental revenue was overstated by \$2,850;
- Road and Bridge fund intergovernmental revenue was understated by \$1,288; and
- Special Levy fund intergovernmental revenue was understated by \$1,562.

We also noted that a previous audit adjustment had been posted to the financial statements, but had not been posted to the Township's records. These adjustments resulted in a reduction of the General fund balance of \$1,233, and an increase in the Road and Bridge fund balance of \$633 and an increase in the Special Levy fund balance of \$600.

All adjustments noted above have been posted to the financial statements.

In accordance with the foregoing facts, we hereby issue a finding for adjustment of \$31,170 and \$755 against the General fund and Motor Vehicle License Tax fund, respectively, in favor of the Road and Bridge fund and Special Levy fund in the amounts of \$16,504 and \$15,421, respectively. The Township should return the monies to the Road and Bridge fund and the Special Levy fund as specified above and should follow proper procedures for posting revenue to the correct funds in the future.

Officials' Response: We understand the adjustments noted above and will address the issues in the future to assure receipts are posted correctly.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-002

Material Weakness / Noncompliance Finding

Ohio Public Works Commission

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. Ohio Rev. Code Section 5705.40 requires that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation for any purpose may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated.

The Township was the beneficiary of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC. The Township received \$98,817 in 2009 and \$43,500 in 2008. Pursuant to Auditor of State Bulletins 2000-008 and 2002-004, the Township should have recorded a receipt and expenditure when they received notice that OPWC disbursed these amounts on the Township's behalf. The Township did not record the receipt and expenditure of the \$43,500 in 2008. Failure to record the memo receipt and expenditure resulted in an understatement of receipts and expenditures in the OPWC Fund. The accompanying financial statements were adjusted to reflect this amount in the Public Works Commission Fund. In addition, the Township did not amend their appropriations to reflect the activity of OPWC monies in 2009. Contrary to Ohio Rev. Code 5705.41(B), expenditures plus encumbrances therefore exceeded appropriations by \$98,817 in 2009.

We recommend that when the Township receives notice that it has been approved for funding by a State or Federal agency, it amend its appropriation measure to account for the grant funds, and when notified that funds have been expended on its behalf, make memo entries to post the revenues and expenditures to the Township's books.

Officials' Response: We now fully understand how the OPWC monies should be accounted for and will properly post and budget for future OPWC projects.

FINDING NUMBER 2009-003

Material Weakness

Financing 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. The Uniform Accounting Network (UAN) provides a structure in which to post receipts. Furthermore for receipts, source documents, including remittance advices from Lorain County, provide support to aid in the posting of various receipts.

The Fiscal Officer posted several receipts during the audit period to the proper fund, but to incorrect line items. Several revenue audit reclassifications were posted to the financial statements due to the improper posting.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-003 (Continued)

Material Weakness

Financing Reporting

The following two intergovernmental receipts were improperly recorded as property tax revenue during 2009:

- Electric and Gas Deregulation (\$434)
- Exempt Personal Property (\$145)

The following various intergovernmental receipts were improperly recorded as property tax revenue during 2008:

- Homestead and Rollback (\$17,044)
- Electric and Gas Deregulation (\$3,331)
- Intangibles (\$497)
- Personal Property Reimbursement (\$331)
- Liquor License Fee (\$9)
- Excess Public Utility Reimbursement (\$575)
- Excess International Registration Plan (\$210)

The following miscellaneous revenue receipt was improperly recorded as intergovernmental revenue during 2008:

- Sale of scrap signs (\$2,500)

During 2008, an interest receipt of \$235 was not posted to the Township's records. This amount was still being carried as a reconciling item on the township's cash reconciliation at the end of 2009. This amount has been posted to the financial statements.

In addition, the Township accounted for a Solid Waste Grant received from Lorain County in a Capital Projects fund instead of a Special Revenue fund. This resulted in an overstatement of intergovernmental revenue in the Capital Projects funds of \$14,158 in both 2009 and 2008 as well as an overstatement of capital outlay expenditures of \$15,037 in 2009 and \$14,320 in 2008. Furthermore, Special Revenue fund intergovernmental revenues were understated by \$14,158 in both 2009 and 2008 as well as public works expenditures of \$15,037 in 2009 and \$14,320 in 2008. The financial statements have been adjusted to reflect this activity in the Special Revenue funds.

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 at year-end. The Fiscal Officer should refer to the UAN and the Township Handbooks for definitions and proper account coding for various receipts to ensure that all transactions are posted to the proper line items. In addition, the Township should adopt policies and procedures for controls over recording of daily financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data at year-end.

Officials' Response: We understand the reclassifications noted above and will address the issues in the future to assure receipts are posted correctly.

**HENRIETTA TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-004

Noncompliance Finding

Expenditures in Excess of Appropriations

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated. Contrary to Ohio Law, budgetary expenditures exceeded appropriation authority at December 31, 2009 in the Solid Waste Grant fund as follows:

Fund	Appropriations	Expenditures	Variance
Solid Waste Grant	\$ 879	\$15,037	(\$14,158)

The Township should monitor appropriations and expenditures monthly, at a minimum, to ensure that expenditures do not exceed appropriations. The Township should amend the appropriations as needed to avoid expenditures in excess of appropriations. If the Township receives additional monies, then they should follow procedures to appropriate those. Failure to limit expenditures to appropriations could lead to expenditures exceeding available resources and ultimately, negative fund balances.

Officials' Response: This was just an oversight as the accounting records were updated to reflect an increase in appropriations, however a formal resolution was never adopted. We will pass a formal resolution for all appropriation increases in the future.



Mary Taylor, CPA
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
OCTOBER 5, 2010**