



**Auditor of State  
Betty Montgomery**



HUNTINGTON TOWNSHIP  
LORAIN COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Huntington Township  
Lorain County  
26309 State Route 58  
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the accompanying financial statements of Huntington Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The Township's financial transactions were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Huntington Township, Lorain County, Ohio, as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

September 15, 2004

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

|  | <u>Governmental Fund Types</u> |                            |                             | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|--------------------------------|----------------------------|-----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> |   |
| <b>Cash Receipts:</b>                        |                                |                            |                             |   |
| Property and Other Local Taxes               | \$58,852                       | \$50,342                   | \$0                         | \$109,194                               |
| Intergovernmental Receipts                   | 113,433                        | 74,001                     | 149,678                     | 337,112                                 |
| Licenses, Permits, and Fees                  | 0                              | 5,833                      | 0                           | 5,833                                   |
| Earnings on Investments                      | 1,904                          | 25                         | 0                           | 1,929                                   |
| Other Revenue                                | 15,259                         | 5,394                      | 0                           | 20,653                                  |
|  | <u>189,448</u>                 | <u>135,595</u>             | <u>149,678</u>              | <u>474,721</u>                          |
| <b>Total Cash Receipts</b>                   |                                |                            |                             |   |
| <b>Cash Disbursements:</b>                   |                                |                            |                             |   |
| Current:                                     |                                |                            |                             |   |
| General Government                           | 97,099                         | 13,437                     | 0                           | 110,536                                 |
| Public Safety                                | 0                              | 0                          | 0                           | 0                                       |
| Public Works                                 | 25,760                         | 116,653                    | 149,678                     | 292,091                                 |
| Health                                       | 668                            | 3,905                      | 0                           | 4,573                                   |
| Conservation - Recreation                    | 42,447                         | 0                          | 0                           | 42,447                                  |
| Capital Outlay                               | 68,651                         | 2,000                      | 0                           | 70,651                                  |
|  | <u>234,625</u>                 | <u>135,995</u>             | <u>149,678</u>              | <u>520,298</u>                          |
| <b>Total Cash Disbursements</b>              |                                |                            |                             |   |
| Total Receipts Over/(Under) Disbursements    | (45,177)                       | (400)                      | 0                           | (45,577)                                |
| Fund Cash Balances, January 1, 2003          | 78,320                         | 23,580                     | 0                           | 101,900                                 |
| <b>Fund Cash Balances, December 31, 2003</b> | <u><b>\$33,143</b></u>         | <u><b>\$23,180</b></u>     | <u><b>\$0</b></u>           | <u><b>\$56,323</b></u>                  |
| Reserves for Encumbrances, December 31, 2003 | <u>\$1,350</u>                 | <u>\$104</u>               | <u>\$0</u>                  | <u>\$1,454</u>                          |

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

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

|  | <u>Governmental Fund Types</u> |                               | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|--|--------------------------------|-------------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u>    |   |
| <b>Cash Receipts:</b>  |                                |                               |   |
| Property and Other Local Taxes   | \$58,050                       | \$46,136                      | \$104,186                               |
| Intergovernmental Receipts   | 119,984                        | 69,582                        | 189,566                                 |
| Licenses, Permits, and Fees  | 0                              | 8,091                         | 8,091                                   |
| Earnings on Investments  | 2,106                          | 220                           | 2,326                                   |
| Other Revenue  | 6,083                          | 1,203                         | 7,286                                   |
|  | <u>186,223</u>                 | <u>125,232</u>                | <u>311,455</u>                          |
| <b>Cash Disbursements:</b>   |                                |                               |   |
| Current:   |                                |                               |   |
| General Government   | 73,381                         | 14,038                        | 87,419                                  |
| Public Safety  | 217                            | 0                             | 217                                     |
| Public Works   | 12,474                         | 111,311                       | 123,785                                 |
| Health   | 36,046                         | 4,213                         | 40,259                                  |
| Conservation - Recreation  | 1,060                          | 0                             | 1,060                                   |
| Capital Outlay   | 31,465                         | 200                           | 31,665                                  |
|  | <u>154,643</u>                 | <u>129,762</u>                | <u>284,405</u>                          |
| Total Cash Disbursements   | <u>154,643</u>                 | <u>129,762</u>                | <u>284,405</u>                          |
| Total Receipts Over/(Under) Disbursements  | <u>31,580</u>                  | <u>(4,530)</u>                | <u>27,050</u>                           |
| <b>Other Financing Receipts and (Disbursements):</b>   |                                |                               |   |
| Advances-In  | 0                              | 750                           | 750                                     |
| Advances-Out   | (750)                          | 0                             | (750)                                   |
|  | <u>(750)</u>                   | <u>750</u>                    | <u>0</u>                                |
| Total Other Financing Receipts/(Disbursements)   | <u>(750)</u>                   | <u>750</u>                    | <u>0</u>                                |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | <u>30,830</u>                  | <u>(3,780)</u>                | <u>27,050</u>                           |
| Fund Cash Balances, January 1, 2002  | <u>47,490</u>                  | <u>27,360</u>                 | <u>74,850</u>                           |
| <b>Fund Cash Balances, December 31, 2002</b>   | <b><u><u>\$78,320</u></u></b>  | <b><u><u>\$23,580</u></u></b> | <b><u><u>\$101,900</u></u></b>          |

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



**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Huntington Township, Lorain County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township's police protection is provided by the Lorain County Sheriff, and the Township is a member of the Wellington Community Fire District, which provides fire services, and the South Lorain County Ambulance District, which provides ambulance services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Investments are reported as assets. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from 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 construction, 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.

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Project Fund:

*Public Works Commission Projects Fund* – This fund accounts for the Issue II grant received from the State of Ohio for repairs to Stewart Road and Clark Road.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

|                                | 2003     | 2002      |
|--------------------------------|----------|-----------|
| Demand Deposits                | \$12,649 | \$11,140  |
| Money Market                   | 31,785   | 79,002    |
| Total deposits                 | 44,434   | 90,142    |
| STAR Ohio                      | 11,889   | 11,758    |
| Total investments              | 11,889   | 11,758    |
| Total deposits and investments | \$56,323 | \$101,900 |

**Deposits:** Deposits are either 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.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

|                  | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
|------------------|----------------------|--------------------|------------|
| General          | \$170,287            | \$189,448          | \$19,161   |
| Special Revenue  | 155,815              | 135,595            | (\$20,220) |
| Capital Projects | 70,274               | 149,678            | \$79,404   |
| Total            | \$396,376            | \$474,721          | \$78,345   |

2003 Budgeted vs. Actual Budgetary Basis Expenditures

|                  | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance   |
|------------------|----------------------------|---------------------------|------------|
| General          | \$258,598                  | \$235,975                 | \$22,623   |
| Special Revenue  | 169,404                    | 136,099                   | 33,305     |
| Capital Projects | 70,274                     | 149,678                   | (79,404)   |
| Total            | \$498,276                  | \$521,752                 | (\$23,476) |

2002 Budgeted vs. Actual Receipts

|                  | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
|------------------|----------------------|--------------------|------------|
| General          | \$151,561            | \$186,223          | \$34,662   |
| Special Revenue  | 136,286              | 125,232            | (11,054)   |
| Capital Projects | 61,800               | 0                  | (61,800)   |
| Total            | \$349,647            | \$311,455          | (\$38,192) |

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| 2002 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$183,641                  | \$154,643                 | \$28,998  |
| Special Revenue                                       | 153,654                    | 129,762                   | 23,892    |
| Capital Projects                                      | 61,800                     | 0                         | 61,800    |
| Total   | \$399,095                  | \$284,405                 | \$114,690 |

The Township did not always certify the availability and encumber funds, prior to making any contract or ordering any expenditure of money, in either year under audit, contrary to Ohio Revised Code Section 5705.41(D).

During 2003, the Ohio Public Works Commission (OPWC) made three payments on behalf of the Township for an Issue II grant project, contrary to Ohio Revised Code Sections 5705.36 and 5705.40. The Township failed to include two of the transactions as revenue on the certificate of estimated resources and to appropriate the two payments.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to 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.

**5. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

HUNTINGTON TOWNSHIP  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

6. RISK MANAGEMENT

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2003 and 2002:

| <u>Casualty Coverage</u> | <u>2003</u>         | <u>2002</u>         |
|--------------------------|---------------------|---------------------|
| Assets                   | \$27,792,223        | \$23,757,036        |
| Liabilities              | <u>(11,791,300)</u> | <u>(9,197,512)</u>  |
| Retained earnings        | <u>\$16,000,923</u> | <u>\$14,559,524</u> |

| <u>Property Coverage</u> | <u>2003</u>        | <u>2002</u>        |
|--------------------------|--------------------|--------------------|
| Assets                   | \$6,791,060        | \$6,596,996        |
| Liabilities              | <u>(750,956)</u>   | <u>(1,204,326)</u> |
| Retained earnings        | <u>\$6,040,104</u> | <u>\$5,392,670</u> |

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. SUBSEQUENT EVENTS**

In 2004 the Township finalized a purchase of .38 acres of land.



## **Auditor of State Betty Montgomery**

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

Huntington Township  
Lorain County  
26309 State Route 58  
Wellington, Ohio 44090

To the Board of Trustees:

We have audited the financial statements of Huntington Township, Lorain County, Ohio, (the Township) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated September 15, 2004, wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated September 15, 2004.

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

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated September 15, 2004.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

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

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

**Betty Montgomery**  
Auditor of State

September 15, 2004



**HUNTINGTON TOWNSHIP  
LORAIN COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

|   |
|---|
| <b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|---|

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

**Encumbrance of Funds**

Ohio Revised Code Section 5705.41(D)(1) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditure lacking prior certification should be void.

Section 5705.41(D)(3) provides for a subdivision to issue "super blanket" purchase orders for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year. More than one super blanket certificate may be outstanding at one particular time for a particular line-item appropriation account.

Section 5705.41(D)(1) provides two exceptions to the above requirements that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money:

- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that both at the time that the contract or order was made, and at the time that the fiscal officer is completing the certification, that a sufficient sum was appropriated and free of any previous encumbrances, the Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate (a then and now certificate), if such expenditure is otherwise valid.
- If the amount involved is less than three thousand dollars (increased from \$1,000 on April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Trustees, upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

During testing we noted 18 out of the 76 non-payroll expenditures were not encumbered prior to receiving the goods or services. We also noted 7 of the 18 errors were for routine expenditures such as utilities. Failure to properly certify/encumber the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. We recommend the Township require the Clerk/Treasurer to certify/encumber the funds for all expenditures in accordance with the above revised code section. The Township should utilize "then and now" certificates and super blanket certificates where possible.

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

**Issue II Project Accounting**

Ohio Revised Code Section 5705.09(F) provides that each subdivision is required to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Ohio Revised Code Section 5705.36(A)(3) allows all subdivisions to request an increased amended certificate of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Rev. Code Section 5705.40 provides 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 against them.

During 2003, the Ohio Public Works Commission expended \$68,941, \$70,274, and \$10,463 respectively, for an Issue II grant project on behalf of the Township. The Township established the proper fund and recorded the second and third payment in their records. The first payment was not included on the Township's records or annual financial report. In accordance with Auditor of State Bulletins 2000-008 and 2002-004, both the revenue and expenditure activity of the grant should have been included. In addition, contrary to Ohio Revised Code Section 5705.41(D)(1), the Township failed to certify available resources to the County budget commission, and appropriate the funds spent on their behalf as required by Auditor of State Bulletins 2000-008 and 2002-004 for the first and third payment. This resulted in the understatement of budgetary revenue and expenditure activity for the Issue II project. The accompanying financial statements have been adjusted to reflect the grant activity.

When the Township receives notice that they have been approved for funding by a State or Federal agency, they should review the reporting requirements established by Auditor of State Bulletins 2000-008 and 2002-004, create the required fund(s), certify the available resources to the County budget commission, appropriate the grant funds, and when notified that funds have been expended on their behalf make memo entries to post the revenues and expenditures to the Township's books.

**HUNTINGTON TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

| <u>Finding Number</u> | <u>Finding Summary</u>                                   | <u>Fully Corrected?</u> | <u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b></u> |
|-----------------------|--|-------------------------|--|
| 2001-40847-001        | Finding for Recovery of Public Monies<br>ORC §117.28     | Yes                     |  |
| 2001-40847-002        | Proper Encumbering of Funds<br>ORC §5705.41(D)           | No                      | Comment reissued. See finding number 2003-001.   |
| 2001-40847-003        | Certification of tax revenues<br>ORC §5705.36            | No                      | Reissued as management letter.   |
| 2001-40847-004        | Creation of funds<br>ORC § 5705.09(F)                    | No                      | Reissued as management letter.   |
| 2001-40847-005        | Expenditures Exceeding Appropriations<br>ORC §5705.41(B) | No                      | Comment 2003-002 involves expenditures exceeding appropriations.   |





**Auditor of State  
Betty Montgomery**

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**HUNTINGTON 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  
NOVEMBER 23, 2004**