



Dave Yost • Auditor of State

HUNTINGTON TOWNSHIP
LORAIN COUNTY

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Dave Yost • Auditor of State

Huntington Township
Lorain County
45955 State Route 162
Wellington, Ohio 44090

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.

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

Dave Yost
Auditor of State

July 30, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Huntington Township
Lorain County
45955 State Route 162
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, 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.

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.

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, 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 Huntington 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 Huntington 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 July 30, 2012, 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

July 30, 2012

**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, 2011**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$86,364	\$69,707	\$0	\$156,071
Licenses, Permits, and Fees	1,330	2,499	0	3,829
Intergovernmental	89,126	102,615	0	191,741
Earnings on Investments	1,357	2	0	1,359
Miscellaneous	436	28,071	0	28,507
Total Cash Receipts	178,613	202,894	0	381,507
Cash Disbursements:				
Current:				
General Government	108,876	23,680	0	132,556
Public Works	42,000	198,722	0	240,722
Health	0	3,982	0	3,982
Human Services	0	14,000	0	14,000
Conservation/Recreation	16,953	0	0	16,953
Capital Outlay	0	886	0	886
Debt Service:				
Redemption of Principal	0	26,148	0	26,148
Interest and Fiscal Charges	0	1,992	0	1,992
Total Cash Disbursements	167,829	269,410	0	437,239
Total Receipts Over/(Under) Disbursements	10,784	(66,516)	0	(55,732)
Other Financing Receipts:				
Other Financing Sources	783	0	0	783
Total Other Financing Receipts	783	0	0	783
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	11,567	(66,516)	0	(54,949)
Fund Cash Balances, January 1	117,119	96,076	310	213,505
Fund Cash Balances, December 31	128,686	29,560	310	158,556
Fund Cash Balance, December 31				
Restricted	0	29,999	310	30,309
Unassigned	128,686	(439)	0	128,247
Fund Cash Balance, December 31	\$128,686	\$29,560	\$310	\$158,556

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 FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund
	Private Purpose Trust
Cash Receipts:	
Earnings on Investments	\$21
Total Cash Receipts	21
Fund Cash Balance, January 1	1,020
Fund Cash Balance, December 31	\$1,041

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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Private Purpose Trust</u>	
Cash Receipts:					
Property and Other Local Taxes	\$84,405	\$68,333	\$0	\$0	\$152,738
Licenses, Permits, and Fees	1,724	4,385	0	0	6,109
Intergovernmental	58,528	108,547	120,609	0	287,684
Earnings on Investments	2,806	3	0	20	2,829
Miscellaneous	1,411	21,259	0	0	22,670
Total Cash Receipts	148,874	202,527	120,609	20	472,030
Cash Disbursements:					
Current:					
General Government	142,127	23,713	0	0	165,840
Public Works	0	118,809	121,958	0	240,767
Health	500	6,682	0	0	7,182
Human Services	0	15,879	0	0	15,879
Conservation/Recreation	49,139	0	0	0	49,139
Capital Outlay	16,483	0	45,540	0	62,023
Debt Service:					
Redemption of Principal	0	14,027	0	0	14,027
Interest and Fiscal Charges	0	627	0	0	627
Total Cash Disbursements	208,249	179,737	167,498	0	555,484
Total Receipts Over/(Under) Disbursements	(59,375)	22,790	(46,889)	20	(83,454)
Other Financing Receipts / (Disbursements):					
Transfers-In	0	0	32,000	0	32,000
Transfers-Out	(32,000)	0	0	0	(32,000)
Total Other Financing Receipts / (Disbursements)	(32,000)	0	32,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(91,375)	22,790	(14,889)	20	(83,454)
Fund Cash Balances, January 1	208,494	73,286	15,199	1,000	297,979
Fund Cash Balances, December 31	\$117,119	\$96,076	\$310	\$1,020	\$214,525

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

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**HUNTINGTON 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 the Huntington Township, Lorain County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township's police protection is provided by the Lorain County Sheriff's Department. Also, 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 participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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' deductible. Note 8 to the financial statements provides additional information for this entity.

The Township also participates in the following jointly governed organizations: the South Lorain County Ambulance District; Wellington Community Fire District; Lorain County Rural Water Authority; and Lorain County Rural Wastewater District. Note 9 to the financial statements provide additional information for these entities.

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 investments in STAR Ohio are recorded at share values the mutual funds report.

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

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.

3. 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 funds

Miscellaneous Capital Project Fund – This fund accounts for grant monies received from the Ohio Department of Natural Resources for the Huntington Township Park Project.

Public Works Commission Projects Fund – This fund accounts for Issue II monies received from the Ohio Public Works Commission for road maintenance.

4. 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. The Township's private purpose trust fund is for the Lucille Miller-Alferio bequest to provide flowers and upkeep of the gravesite.

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 is used to account for refundable zoning permits. There was no activity in this fund.

HUNTINGTON TOWNSHIP
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

1. Summary of Significant Accounting Policies (Continued)

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

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.

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.

HUNTINGTON TOWNSHIP
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010

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

2. **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.

3. **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.

4. **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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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 applied and by clarifying the existing governmental fund type definitions. The implementation of this Statement did not have an effect on the Township's financial statements.

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

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

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	\$18,286	\$75,435
Certificates of deposit	1,041	1,020
Money Market	124,729	119,198
Total deposits	144,056	195,653
STAR Ohio	15,541	18,872
Total investments	15,541	18,872
Total deposits and investments	\$159,597	\$214,525

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 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$174,028	\$178,613	\$4,585
Special Revenue	207,135	202,894	(4,241)
Capital Projects	15,180	0	(15,180)
Private Purpose Trust	1,060	21	(1,039)
Total	\$397,403	\$381,528	(\$15,875)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$263,117	\$167,829	\$95,288
Special Revenue	274,569	269,410	5,159
Capital Projects	0	0	0
Private Purpose Trust	1,060	0	1,060
Total	\$538,746	\$437,239	\$101,507

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

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

4. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,443	\$148,874	\$7,431
Special Revenue	197,733	202,527	4,794
Capital Projects	126,687	120,609	(6,078)
Private Purpose Trust	0	20	20
Total	\$465,863	\$472,030	\$6,167

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,334	\$208,249	(\$58,915)
Special Revenue	249,210	179,737	69,473
Capital Projects	167,498	167,498	0
Agency	1,000	0	1,000
Total	\$567,042	\$555,484	\$11,558

Contrary to Ohio Revised Code 5705.41(B), expenditures in the General Fund exceeded appropriations by \$58,915 at December 31, 2010.

Also, contrary to Ohio Revised Code 5705.10(H), the Motor Vehicle License Fund had a negative cash deficit balance of \$439 at December 31, 2011.

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, 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.

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

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

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan	\$654	0%
Truck Installment Purchase Agreement	86,660	3%
Total	<u><u>\$87,314</u></u>	

In 2004, the Township entered into a \$10,463 road improvement project. The loan is collateralized by the Township's taxing authority.

In 2011, the Township entered into a \$112,154 installment agreement for the purchase of a truck. The loan is collateralized by the Township's taxing authority.

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

Year ending December 31:	<u>OPWC Loan</u>		
2012		<u>\$654</u>	
Total		<u><u>\$654</u></u>	

Year ending December 31:	Truck Installment Purchase Agreement Principal	Truck Installment Purchase Agreement Interest	Truck Installment Purchase Agreement Total
2012	\$17,888	\$3,437	\$21,325
2013	18,644	2,682	21,326
2014	19,431	1,894	21,325
2015	20,252	1,074	21,326
2016	10,445	218	10,663
Total	<u><u>\$86,660</u></u>	<u><u>\$9,305</u></u>	<u><u>\$95,965</u></u>

7. Retirement Systems

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 includes post-retirement healthcare and survivor 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.

**HUNTINGTON 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 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, 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 statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$21,384.

**HUNTINGTON 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>2010</u>	<u>2009</u>
\$7,995	\$7,310

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.

9. Jointly Governed Organizations

South Lorain County Ambulance District

The Ambulance District is organized pursuant to Ohio Rev. Code Section 505.71 and is directed by an appointed seven-member Board of Trustees representing the Village of Wellington, and Wellington, Huntington, Penfield, Rochester, Brighton, and Pittsfield Townships. The Ambulance District provides emergency medical services to the residents within the Ambulance District which includes the Township.

Wellington Community Fire District

The Fire District is organized pursuant to Ohio Rev. Code Section 505.371 and is directed by an appointed six-member Board of Trustees representing the Village of Wellington and Wellington, Huntington, Penfield, Brighton, and Pittsfield Townships. The Fire District provides fire protection and rescue services within the Fire District which includes the Township.

Lorain County Rural Water Authority

The Rural Lorain County Water Authority, a regional water district, is a political subdivision of the State of Ohio created by order of the Lorain County Common Pleas Court. The Authority was declared by the Court, on August 23, 1973 to be a duly organized regional water district, a political subdivision of the state of Ohio organized pursuant to Chapter 6119 of the Ohio Revised Code. The Authority operates under a Board of Trustees, which consists of as many members as equals the total number of villages and townships within this regional water district.

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

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

9. Jointly Governed Organizations (Continued)

Lorain County Rural Wastewater District (LORCO)

LORCO is a wastewater district organized pursuant to Ohio Rev. Code Section 6119 and is directed by a Board of Trustees representing one each of the 13 township and three village members. LORCO was organized to provide wastewater treatment services to its members and has applied to the appropriate authorities for recognition as a Designated Management Agency under Section 208 of the Clean Water Act.



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

Huntington Township
Lorain County
45955 State Route 162
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 year ended December 31, 2011 and 2010, and have issued our report thereon dated July 30, 2012 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. 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. Furthermore, we noted the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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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 finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

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 item 2011-01 through 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 30, 2012.

The Township's response to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's response 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

July 30, 2012

**HUNTINGTON 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**

FINDING NUMBER 2011-01

Material Noncompliance / Material Weakness: Advances

Ohio Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with a negative fund balance signifies that monies from other funds were used to meet their obligations.

Ohio Revised Code Section 5705.10(D) requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year. Cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Board of Trustees) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

See Auditor of State Technical Bulletin 97-003.

During a review of advances, we noted several instances in which the advances made were improper as none of the advances of money made during fiscal years 2010 and 2011 were approved by the Board of Trustees. Furthermore, many of the advances were from restricted funds and could not be used for the purposes in which they were used in the fund receiving the advance.

A summary of these advances during fiscal year 2010 are as follows:

Advance From Fund	Advance To Fund	Amount
General	Recycling	\$ 1,000.00
Gasoline Tax	General	3,000.00
Recycling	General	8,210.00
		\$12,210.00

A summary of these advances during fiscal year 2011 are as follows:

Advance From Fund	Advance To Fund	Amount
General	Gasoline	\$11,000.00
General	Recycling	7,710.00
General	Motor Vehicle License	1,100.00
Recycling	General	8,910.00
		\$28,720.00

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

FINDING NUMBER 2011-01 (Continued)

There also was not proper monitoring to ensure that any outstanding advances were accurately and timely repaid. This leads to inaccurate and incomplete financial statements and records.

The accompanying financial statements and the Township's accounting records reflect adjustments removing the above advances. As a result of these adjustments, the Motor Vehicle License Tax Fund had a \$439 negative cash fund balance as of December 31, 2011.

We recommend that all advances adhere to the above requirements, and the Board should approve by resolution the amount and fund advancing the money and the fund from which repayment is expected.

Officials' Response: The Trustees have put additional monitoring in place for advances and will have all future advances comply with ORC (Ohio Revised Code) and Auditor of State's recommendation.

FINDING NUMBER 2011-02

Material Noncompliance: Expenditures in Excess of Appropriations

Ohio Revised 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, 2010 in the General Fund as follows:

Fund	Appropriations	Expenditures	Variance
General Fund	\$149,334	\$207,621	(\$58,287)

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 monies. Failure to limit expenditures to appropriations could lead to expenditures exceeding available resources and ultimately, negative fund balances.

Officials' Response: The Trustees have put additional monitoring in place for appropriations and expenditures to ensure expenditures are not in excess of appropriations. The Trustees will comply with ORC and Auditor of State's recommendation.

FINDING NUMBER 2011-03

Material Noncompliance: Installment Purchase

Ohio Revised Code Section 5549.21 sets forth that the Board of Township Trustees may purchase or lease such machinery and tools as are necessary to use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township and also states that if the amount involves in excess of fifty thousand dollars, that it be made from the lowest responsible bidder after advertisement, as provided in section 5575.01 of the Revised Code.

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010
(CONTINUED)**

FINDING NUMBER 2011-03 (Continued)

Ohio Revised Code Section 5549.021 (A) states that the Board of Township Trustees may purchase machinery, tools, trucks, and other equipment for use in constructing, maintaining, and repairing roads and, subject to Chapter 133 of the Revised Code, may issue for that purpose general obligation bonds of the township for which the full faith and credit of the township shall be pledged. Ohio Revised Code 5549.021 (B) states in part that the Board of Township Trustees may enter into a lease for machinery, tools, trucks, and other equipment for use in constructing, maintaining, and repairing roads, including a lease with an option to purchase.

On January 28, 2011, the Township entered into an installment purchase agreement with Mercedes-Benz Financial Services to finance a 2011 Freightliner Truck for use on township roads. A total of \$95,331 was financed over a five year period ending on January 25, 2016 with the Township making semi-annual payments of \$10,663. The Township has the authority to purchase the required truck, but does not have the authority to acquire the truck via an installment purchase agreement.

We recommend the Township acquire any allowable property by outright cash purchase or lease with an option to purchase as authorized by the Ohio Revised Code.

Officials' Response: The Trustees understand the purchase was not in accordance with ORC and it will not happen again. In defense of the installment purchase, the Trustees feel everything was done to secure a lower rate of interest. The Trustees investigated the Department of Administrative Services, Cooperative Purchasing Division for a lower interest rate. The offer of 5% was significantly higher than that secured through Mercedes Benz at 3%. This purchase resulted in 2% savings to the taxpayers of Huntington Township. In addition, the proposed agreement was sent to our legal counsel for review and approval.

**HUNTINGTON TOWNSHIP
LORAIN COUNTY**

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

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	ORC 5705.36(A)(4) – The Ohio Public Works Commission fund had appropriations in excess of both estimated and actual resources at December 31, 2008.	Yes	Corrected
2009-002	ORC 5705.41(B) – The Road and Bridge Fund had expenditures exceeding appropriations at December 31, 2008.	No	Partially Corrected – The Road and Bridge Fund did not have any violations at year ends, however, other funds did. Finding 2011-02 relates to an ORC 5705.41(B) violation in the General Fund. The Management Letter contains a noncompliance finding for an ORC 5705.41(B) violation in other various Special Revenue funds.



Dave Yost • Auditor of State

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
AUGUST 14, 2012