



**Auditor of State
Betty Montgomery**

HUNTSBURG TOWNSHIP
GEAUGA COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Huntsburg Township
Geauga County
16534 Mayfield Road, P.O. Box 280
Huntsburg, Ohio 44046

To the Board of Trustees:

We have audited the accompanying financial statements of Huntsburg Township, Geauga 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. We believe that our audit provides a reasonable basis for our opinions.

As described 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 Huntsburg Township, Geauga 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 March 22, 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 Board of Trustees and other officials authorized to receive this report under § 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

March 22, 2004

**HUNTSBURG TOWNSHIP
GEAUGA 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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$98,030	\$221,598	\$0	\$0	\$319,628
Intergovernmental	85,893	96,924	0	0	182,817
Licenses, Permits, and Fees	3,247	0	0	0	3,247
Earnings on Investments	1,655	0	0	0	1,655
Other Revenue	13,387	2,123	0	0	15,510
	<u>202,212</u>	<u>320,645</u>	<u>0</u>	<u>0</u>	<u>522,857</u>
Total Cash Receipts					
	202,212	320,645	0	0	522,857
Cash Disbursements:					
Current:					
General Government	103,659	0	0	0	103,659
Public Safety	240	39,313	0	0	39,553
Public Works	64,661	228,916	0	0	293,577
Health	11,765	1,260	0	0	13,025
Conservation Recreation	14,339	0	0	0	14,339
Capital Outlay	17,631	35,750	45,745	0	99,126
	<u>212,295</u>	<u>305,239</u>	<u>45,745</u>	<u>0</u>	<u>563,279</u>
Total Cash Disbursements					
	212,295	305,239	45,745	0	563,279
Total Receipts Over/(Under) Disbursements	<u>(10,083)</u>	<u>15,406</u>	<u>(45,745)</u>	<u>0</u>	<u>(40,422)</u>
Other Financing Receipts:					
Other Sources	83	1,875	0	0	1,958
	<u>83</u>	<u>1,875</u>	<u>0</u>	<u>0</u>	<u>1,958</u>
Total Other Financing Receipts					
	83	1,875	0	0	1,958
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(10,000)</u>	<u>17,281</u>	<u>(45,745)</u>	<u>0</u>	<u>(38,464)</u>
Fund Cash Balances, January 1, 2003	<u>28,312</u>	<u>53,656</u>	<u>71,000</u>	<u>275</u>	<u>153,243</u>
Fund Cash Balances, December 31, 2003	<u><u>\$18,312</u></u>	<u><u>\$70,937</u></u>	<u><u>\$25,255</u></u>	<u><u>\$275</u></u>	<u><u>\$114,779</u></u>
Reserve for Encumbrances, December 31, 2003	<u><u>\$1,521</u></u>	<u><u>\$4,206</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$5,727</u></u>

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

**HUNTSBURG TOWNSHIP
GEAUGA 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, 2002**

	<u>Governmental Fund Types</u>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:						
Local Taxes	\$89,797	\$215,256	\$0	\$0	\$0	\$305,053
Intergovernmental	119,509	89,823	0	0	0	209,332
Licenses, Permits, and Fees	3,861	0	0	0	0	3,861
Earnings on Investments	2,131	60	0	0	0	2,191
Other Revenue	7,344	1,300	0	0	0	8,644
Total Cash Receipts	<u>222,642</u>	<u>306,439</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>529,081</u>
Cash Disbursements:						
Current:						
General Government	125,261	0	0	0	0	125,261
Public Safety	240	36,595	0	0	0	36,835
Public Works	56,478	251,690	0	0	0	308,168
Health	5,826	5,040	0	0	0	10,866
Conservation - Recreation	13,010	0	0	0	0	13,010
Capital Outlay	21,144	30,529	0	0	0	51,673
Total Cash Disbursements	<u>221,959</u>	<u>323,854</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>545,813</u>
Total Receipts Over/(Under) Disbursements	683	(17,415)	0	0	0	(16,732)
Other Financing Receipts and (Disbursements):						
Transfers-In	0	4,389	0	21,525	0	25,914
Transfers-Out	(21,525)	0	(4,389)	0	0	(25,914)
Other Sources	848	1,275	0	0	0	2,123
Total Other Financing Receipts/(Disbursements)	<u>(20,677)</u>	<u>5,664</u>	<u>(4,389)</u>	<u>21,525</u>	<u>0</u>	<u>2,123</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(19,994)	(11,751)	(4,389)	21,525	0	(14,609)
Fund Cash Balances, January 1, 2002	48,306	65,407	4,389	49,475	275	167,852
Fund Cash Balances, December 31, 2002	<u>\$28,312</u>	<u>\$53,656</u>	<u>\$0</u>	<u>\$71,000</u>	<u>\$275</u>	<u>\$153,243</u>
Reserve for Encumbrances, December 31, 2002	<u>\$2,332</u>	<u>\$5,787</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,119</u>

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

**HUNTSBURG TOWNSHIP
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Huntsburg Township, Geauga 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, cemetery maintenance, and park operations (recreation). The Township contracts with the Middlefield Volunteer Fire Department, Inc. to provide fire 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 included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

Certificates of deposit are valued at cost.

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 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 to construct, maintain and repair Township roads and bridges.

**HUNTSBURG TOWNSHIP
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Fire District Fund - This fund receives property tax money to provide fire protection to the Township residents.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. This fund receives property tax money for the retirement of note debt.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Township had the following significant Capital Projects Fund:

Permanent Improvement Fund – This fund is used for the purpose of providing maintenance and improvements for reconstruction and renovations of the Township roads and buildings.

5. Fiduciary Fund (Expendable Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following Expendable Trust Fund:

Veterans Memorial Fund – This is a memorial fund to be used to erect a Veterans Memorial in the Township's cemetery.

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. Unencumbered appropriations lapse at year end.

**HUNTSBURG TOWNSHIP
GEAUGA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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.

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 disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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 at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$39,779	\$28,243
Certificates of deposit	75,000	125,000
Total Deposits and Investments	<u>\$114,779</u>	<u>\$153,243</u>

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

**HUNTSBURG TOWNSHIP
GEAUGA COUNTY**

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

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,103	\$202,295	(\$4,808)
Special Revenue	324,706	322,520	(2,186)
Capital Projects	220,000	0	(220,000)
Total	\$751,809	\$524,815	(\$226,994)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,100	\$213,816	\$19,284
Special Revenue	372,559	309,445	63,114
Capital Projects Fund	291,000	45,745	245,255
Expendable Trust	275	0	275
Total	\$896,934	\$569,006	\$327,928

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$221,427	\$223,490	\$2,063
Special Revenue	317,585	312,103	(5,482)
Capital Projects Fund	0	21,525	21,525
Total	\$539,012	\$557,118	\$18,106

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$269,099	\$245,816	\$23,283
Special Revenue	380,886	329,641	51,245
Debt Service	4,389	4,389	0
Capital Projects Fund	49,475	0	49,475
Expendable Trust	275	0	275
Total	\$704,124	\$579,846	\$124,278

**HUNTSBURG TOWNSHIP
GEAUGA COUNTY**

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

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.

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.

5. RETIREMENT SYSTEMS

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. For 2003 and 2002, 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.

6. RISK MANAGEMENT

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 insurance 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 Insurance

OTARMA retains casualty risks up to \$250,000 per claim including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP 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.

HUNTSBURG TOWNSHIP
GEAUGA COUNTY

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

6. RISK MANAGEMENT (Continued)

Property Insurance

OTARMA retains property risks including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures specific losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claim 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, 2002 and 2001:

Note below is the latest information available:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>9,197,512</u>	<u>9,379,003</u>
Retained Earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>
<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>1,204,326</u>	<u>647,667</u>
Retained Earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>



Auditor of State Betty Montgomery

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

Board of Trustees
Huntsburg Township
Geauga County
16534 Mayfield Road, P.O. Box 280
Huntsburg, Ohio 44046

To the Board of Trustees:

We have audited the financial statements of Huntsburg Township, Geauga 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 March 22, 2004. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated March 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order 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 management of the Township in a separate letter dated March 22, 2004.

Huntsburg Township
Geauga County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended 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

March 22, 2004



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

HUNTSBURG TOWNSHIP

GEAUGA 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
MAY 18, 2004**