



Dave Yost • Auditor of State



**HENRY TOWNSHIP  
WOOD COUNTY**

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# Dave Yost • Auditor of State

Henry Township  
Wood County  
14690 Quarry Road  
North Baltimore, Ohio 45872-1138

To the Board of Trustees:

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

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

**Dave Yost**  
Auditor of State

February 28, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Henry Township  
Wood County  
14690 Quarry Road  
North Baltimore, Ohio 45872-1138

To the Board of Trustees:

We have audited the accompanying financial statements of Henry Township, Wood 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 and the reserves for encumbrances as of December 31, 2010 of Henry Township, Wood 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 for 2010 the Township changed its method of presentation from cash basis of accounting similar to the requirements for statements prepared in accordance with GASB statement 34 to the regulatory basis of accounting prescribed or permitted by the Auditor of State. In addition, as described in Note 1F, during 2011 the 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 February 28, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Dave Yost**  
Auditor of State

February 28, 2013

**HENRY TOWNSHIP  
WOOD COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$56,803	\$111,326		\$168,129
Licenses, Permits and Fees	1,192			1,192
Intergovernmental	67,928	239,376		307,304
Earnings on Investments	4,832	284		5,116
Miscellaneous - Payment in Lieu of Taxes			\$312,938	312,938
Miscellaneous	4,528			4,528
<i>Total Cash Receipts</i>	<u>135,283</u>	<u>350,986</u>	<u>312,938</u>	<u>799,207</u>
<b>Cash Disbursements</b>				
Current:				
General Government	116,577			116,577
Public Safety	354	33,607		33,961
Public Works	12,913	238,574	26,290	277,777
Capital Outlay		39,029	42,263	81,292
<i>Total Cash Disbursements</i>	<u>129,844</u>	<u>311,210</u>	<u>68,553</u>	<u>509,607</u>
<i>Excess of Receipts Over Disbursements</i>	<u>5,439</u>	<u>39,776</u>	<u>244,385</u>	<u>289,600</u>
<b>Other Financing Receipts (Disbursements)</b>				
Advances In		10,000		10,000
Advances Out	(10,000)			(10,000)
Other Financing Uses			(154,853)	(154,853)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,000)</u>	<u>10,000</u>	<u>(154,853)</u>	<u>(154,853)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(4,561)</u>	<u>49,776</u>	<u>89,532</u>	<u>134,747</u>
<i>Fund Cash Balances, January 1</i>	<u>185,919</u>	<u>89,185</u>		<u>275,104</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		138,961	89,532	228,493
Unassigned	181,358			181,358
<i>Fund Cash Balances, December 31</i>	<u>\$181,358</u>	<u>\$138,961</u>	<u>\$89,532</u>	<u>\$409,851</u>

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

**HENRY TOWNSHIP  
WOOD COUNTY**

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$57,788	\$97,905		\$155,693
Licenses, Permits, and Fees	350			350
Intergovernmental	64,152	142,297	\$156,083	362,532
Earnings on Investments	3,293	145		3,438
	<u>125,583</u>	<u>240,347</u>	<u>156,083</u>	<u>522,013</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	127,167			127,167
Public Safety	354	36,283		36,637
Public Works	5,485	174,889		180,374
Health	1,164			1,164
Capital Outlay			218,029	218,029
	<u>134,170</u>	<u>211,172</u>	<u>218,029</u>	<u>563,371</u>
<i>Total Cash Disbursements</i>	<u>134,170</u>	<u>211,172</u>	<u>218,029</u>	<u>563,371</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(8,587)</u>	<u>29,175</u>	<u>(61,946)</u>	<u>(41,358)</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			61,946	61,946
Transfers-Out	(61,946)			(61,946)
Advances-In	184,482		170,482	354,964
Advances-Out	(170,482)	(14,000)	(170,482)	(354,964)
	<u>(47,946)</u>	<u>(14,000)</u>	<u>\$61,946</u>	<u></u>
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(47,946)</u>	<u>(14,000)</u>	<u>\$61,946</u>	<u></u>
<i>Net Change in Fund Cash Balances</i>	(56,533)	15,175		(41,358)
<i>Fund Cash Balances, January 1</i>	<u>242,452</u>	<u>74,010</u>		<u>316,462</u>
<i>Fund Cash Balances, December 31</i>	<u>\$185,919</u>	<u>\$89,185</u>		<u>\$275,104</u>
<i>Reserve for Encumbrances, December 31</i>	<u>\$1,464</u>	<u>\$5,836</u>		<u>\$7,300</u>

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

**HENRY TOWNSHIP  
WOOD COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

Henry Township, Wood County, Ohio (the Township), is a body politic and corporate established December 3, 1836 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 also has an elected Township Fiscal Officer.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of North Baltimore for fire protection. Police protection is provided by the Wood County Sheriffs' Department.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. The Township is also involved in a joint venture with the Village of North Baltimore which is described more fully in Note 10.

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.

**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.

**HENRY TOWNSHIP  
WOOD COUNTY**

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

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

**2. Special Revenue Funds**

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

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

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

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:

Tax Equivalent Fund (TIF) - The Township received payments in lieu of tax money per a TIF agreement for construction or improvements of public improvements associated with the Improvement in the agreement..

Public Works Commission Project Fund - The Township received a grant from the State of Ohio for a road project.

**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, department 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.

**HENRY TOWNSHIP  
WOOD COUNTY**

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

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

**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 2011 and 2010 budgetary activity appears in Note 4.

**F. Fund Balance**

For 2011, the Township has implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*."

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types. The implementation of GASB Statement No. 54 did not have an effect on the previously reported fund balances.

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.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**HENRY TOWNSHIP  
WOOD COUNTY**

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

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

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**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 Financial Statement Presentation**

In prior years the Township prepared its financial statements on the cash basis similar to the requirements of statements prepared in accordance with GASB statement 34. For 2010, the Township began preparing its statements on a regulatory basis. Instead of a separate column for each major fund with all other funds combined into a single fund, the Township presents each fund type in a separate column.

**3. Equity in Pooled Deposits**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$409,851</u>	<u>\$275,104</u>

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

**HENRY TOWNSHIP  
WOOD COUNTY**

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

**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	\$155,705	\$135,283	(\$20,422)
Special Revenue	224,829	350,986	126,157
Capital Projects	397,938	312,938	(85,000)
Total	\$778,472	\$799,207	\$20,735

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$341,624	\$130,657	\$210,967
Special Revenue	352,539	314,560	37,979
Capital Projects	360,509	223,406	137,103
Total	\$1,054,672	\$668,623	\$386,049

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,013	\$125,583	\$570
Special Revenue	237,702	240,347	2,645
Capital Projects	218,029	218,029	
Total	\$580,744	\$583,959	\$3,215

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$367,464	\$197,580	\$169,884
Special Revenue	300,071	217,008	83,063
Capital Projects	388,511	218,029	170,482
Total	\$1,056,046	\$632,617	\$423,429

Contrary to Ohio law, appropriations exceeded estimated resources in the Motor Vehicle License Tax, Gasoline, Road, and TIF funds' by \$1,411, \$5,601, \$21,500 and \$1,600 respectively in 2011 and in 2010 the Ohio Public Works Commission Fund exceeded by \$170,482.

**HENRY TOWNSHIP  
WOOD COUNTY**

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

**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.

**6. Lease-Purchase Agreements**

The Township entered into a lease-purchase agreement with All Points Capital to purchase a truck in 2006. The lease was \$1,391 a month for a total of 84 months. As of December 31, 2011 the Township still owes for 20 months totaling \$27,824.

The Township entered into a lease-purchase agreement with GE Capital Solution to purchase a Bobcat skid steer loader, angle broom, and cold planer in 2010. The lease was \$1,232 a month for a total of 48 months. As of December 31, 2011 the Township still owes for 32 months totaling \$39,420.

**7. Retirement System**

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

The Ohio Revised Code also prescribes contribution rates. 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.

**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.

**HENRY TOWNSHIP  
WOOD COUNTY**

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

**8. Risk Management (Continued)**

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, 2011 and 2010

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

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

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.

**HENRY TOWNSHIP  
WOOD COUNTY**

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

**8. Risk Management (Continued)**

<b>Contributions to OTARMA</b>	
<b>2011</b>	<b>2010</b>
\$8,755	\$7,311

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. Related Party Transactions**

One of the Trustees' owns a plumbing business and the Township paid him \$617 in 2010. This matter will be referred to the Ohio Ethics Commission for their consideration.

**10. Joint Venture**

**Henry Township/Village of North Baltimore Joint Economic Development District (JEDD)**

On October 14, 2008, the Village of North Baltimore approved the formation of this JEDD with Henry Township in Wood County. The parties have entered into a contract to create and provide for the operation of the JEDD in accordance with Sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of this JEDD is to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State of Ohio, Wood County, Village of North Baltimore, and Henry Township.

**11. Payment in Lieu of Taxes**

The Township passed a Tax Increment Financing (TIF) resolution December 2009. The TIF Resolution contained a School Compensation Agreement concerning North Baltimore Local School District. The Township will pay the District 50% of the tax money received from the TIF. In 2011 the Township paid the District \$154,853.



# 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*

Henry Township  
Wood County  
14690 Quarry Rd.  
North Baltimore, Ohio 45872-1138

To the Board of Trustees:

We have audited the financial statements of Henry Township, Wood County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 28, 2013 wherein we noted in 2010 the Township change its method of accounting from the cash basis to accounting practices the Auditor of State prescribes or permits and in 2011 the Township implemented Government Accounting Standards Board Statement 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-003 and 2011-004 described in the accompanying schedule of findings to be material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated February 28, 2013.

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

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



**Dave Yost**  
Auditor of State

February 28, 2013

**HENRY TOWNSHIP  
WOOD COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-001**

**Finding for Recovery**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Fiscal Officer took a job in Columbus, but maintained his residence in the Township in order to continue serving as fiscal officer. In 2010 the fiscal officer submitted and was reimbursed \$275 for driving from Columbus to the Township Hall for a meeting and then driving back to Columbus. In 2011 the fiscal officer submitted and was reimbursed \$209 for driving from his home to Columbus and back. Since he kept his position by maintaining his residency in the Township, there would be no travel reimbursement required from his residence to the Hall. In addition any travel from his residence to another city would require adequate documentation of a reason for the travel; there was no documentation for any meeting or business in Columbus requiring this travel.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Anthony Swartz, Fiscal Officer, and his bonding company, Travelers Casualty and Surety Company of America, in the amount of \$484 in favor of the Henry Township’s General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Township Officers signed the warrants resulting in improper payments. Township Trustees James Wymer, John Stewart, and Jay Baltz and their bonding company, Ohio Township Association Risk Management Authority, will be jointly and severally liable in the amount of \$484 and in favor of the General Fund to the extent that recovery is not obtained from Anthony Swartz.

**Officials’ Response:**

The Township will implement procedures to insure all future travel requests are adequately supported.

### FINDING NUMBER 2011-002

#### Noncompliance Citation

**Ohio Revised Code, 507.11(B)**, provides that no money belonging to the township shall be paid out, except upon an order signed by at least two of the township trustees, and countersigned by the township fiscal officer.

A check for \$143,390 was issued for a final payment of a road project. The check was handwritten, and signatures on the check (the fiscal officer and two of the trustees) did not appear to match the signatures on all the other checks issued by the Township. The Fiscal Officer stated he authorized one of the Trustees to sign his name.

We recommend all checks issued by the Township have the original signature of the Fiscal Officer, and at least two Trustees.

#### Officials' Response:

This was an isolated incident in order to expedite payment to a contractor.

### FINDING NUMBER 2011-003

#### Noncompliance Citation/Material Weakness

**Ohio Revised Code, § 5705.10(D)**, provides in part that all revenue derived from a specific source shall be credited to a special fund for the purpose for which the monies were received.

The following transactions were found to be posted to the incorrect fund:

- In 2011 \$99,842 received from an agreement with the Port Authority concerning road repairs was posted to the General fund and should have been credited to a Special Revenue road related fund.
- In 2011 \$39,029 of expenditures for equipment were posted to the TIF fund and should have been posted to a Special Revenue road related fund

The accompanying financial statements and the Township's accounting records were adjusted to reflect these amounts in the proper funds.

Accurate financial reporting is the responsibility of the Fiscal Officer and Trustees. We recommend the Board monitor receipt and expenditure posting to ensure money and expenses are posted to the correct fund.

#### Officials' Response:

The Township has posted the adjustments to the books.

**FINDING NUMBER 2011-004**

**Material Weakness**

**Financial Monitoring Controls**

Sound accounting procedures require there to be adequate segregation of duties and monitoring procedures performed by management. Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following transactions required reclassifications and the accompanying financial statements reflect these amounts:

- In 2010 and 2011 monies from the JEDD and Port Authority agreements, ranging from \$25,937 to \$99,842, were posted as miscellaneous receipts and should have been posted as intergovernmental receipts; and
- In 2011 \$154,853 owed to a school district per the TIF agreement was posted as capital outlay and should have been posted as other financing uses.

In addition the Board did not receive supporting documentation for reconciling items on the monthly bank reconciliation. In 2010 seven of the reconciliations listed deposits in transits ranging from \$10,000 to \$12,800 that did not exist and were later reversed out;

These weaknesses allowed the possibility of the Board not having the resources needed to make informed financial and future planning decisions and for unauthorized expenditures to be made or possible theft. Controls should be implemented to help ensure the accuracy of the financial statements and Township records.

We recommend:

- The Fiscal Officer and Board perform a final review of the statements and notes to identify and correct errors and omissions;
- All monthly bank reconciliations, bank statements, lists of outstanding checks, and supporting documents be reviewed, approved, and signed off by the Board; and
- Ledgers be reviewed periodically for unusual entries.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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# Dave Yost • Auditor of State

HENRY TOWNSHIP

WOOD 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  
MARCH 21, 2013