



**Auditor of State
Betty Montgomery**

**HURON TOWNSHIP
ERIE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Huron Township
Erie County
1820 Bogart Road
Huron, Ohio 44839-9139

To the Board of Trustees:

We have audited the accompanying financial statements of Huron Township, Erie County, (the Township) as of and for the years ended December 31, 2003 and 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 audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audits provide a reasonable basis for our opinion.

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

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

As discussed in Note 9 the Township change the classification of the Zoning Fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 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 audits.

This report is intended solely for the information and use of the audit committee, management, the Board, 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.



Betty Montgomery
Auditor of State

March 18, 2004

**HURON TOWNSHIP
ERIE 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>Fiduciary Funds</u>	
Cash Receipts				
Local Taxes	\$ 99,991	\$ 418,489	\$ 7,007	\$ 525,487
Intergovernmental	180,148	100,467	9,297	289,912
Special Assessments		8,953		8,953
Licenses, Permits, and Fees	50,504	25,081		75,585
Earnings on Investments	16,700	259		16,959
Other Revenue	38,259	200		38,459
Total Cash Receipts	385,602	553,449	16,304	955,355
Cash Disbursements				
Current:				
General Government	276,203			276,203
Public Safety		270,263		270,263
Public Works	114,711	162,776		277,487
Health	2,700	31,066		33,766
Conservation - Recreation	37,980			37,980
Miscellaneous			16,291	16,291
Capital Outlay	58,179	55,213		113,392
Total Cash Disbursements	489,773	519,318	16,291	1,025,382
Total Receipts Over/(Under) Disbursements	(104,171)	34,131	13	(70,027)
Other Financing Receipts				
Other Sources	834			834
Total Other Financing Receipts	834			834
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(103,337)	34,131	13	(69,193)
Fund Cash Balances, January 1	1,131,979	582,266		1,714,245
Fund Cash Balances, December 31	\$ 1,028,642	\$ 616,397	\$ 13	\$ 1,645,052
Reserve for Encumbrances, December 31				

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HURON TOWNSHIP
ERIE 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>Fiduciary Funds</u>	
Cash Receipts				
Local Taxes	\$ 95,864	\$ 392,014	\$ 15,380	\$ 503,258
Intergovernmental	121,242	102,039	131	223,412
Special Assessments		7,927		7,927
Licenses, Permits, and Fees	52,769	23,590		76,359
Earnings on Investments	39,745	1,604		41,349
Other Revenue	15,030	8,511		23,541
Total Cash Receipts	<u>324,650</u>	<u>535,685</u>	<u>15,511</u>	<u>875,846</u>
Cash Disbursements				
Current:				
General Government	230,051			230,051
Public Safety	1,120	260,281		261,401
Public Works	1,459	104,278		105,737
Health	2,700	28,779		31,479
Miscellaneous			15,511	15,511
Capital Outlay	694,686	345,067		1,039,753
Total Cash Disbursements	<u>930,016</u>	<u>738,405</u>	<u>15,511</u>	<u>1,683,932</u>
Total Disbursements Over Receipts	<u>(605,366)</u>	<u>(202,720)</u>		<u>(808,086)</u>
Other Financing Receipts				
Other Sources	1,063			1,063
Total Other Financing Receipts	<u>1,063</u>			<u>1,063</u>
Excess of Cash Disbursements Over Cash Receipts and Other Financing Receipts	(604,303)	(202,720)		(807,023)
Fund Cash Balances, January 1 (Restated)	1,736,282	784,986		2,521,268
Fund Cash Balances, December 31	<u><u>\$ 1,131,979</u></u>	<u><u>\$ 582,266</u></u>		<u><u>\$ 1,714,245</u></u>
Reserve for Encumbrances, December 31	<u>\$ 52,411</u>	<u>\$ 22,632</u>		<u>\$ 75,043</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**HURON TOWNSHIP
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Huron Township, Erie County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the City of Huron to provide fire and ambulance services.

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**HURON TOWNSHIP
ERIE COUNTY**

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

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) 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.

Fire District Fund - This fund property tax money for providing and maintaining fire protection services for the Township.

3. Fiduciary Funds (Trust and Agency Funds)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Library Fund – The Township receives property tax money to be distributed to the Huron Public Library.

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, 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.

**HURON TOWNSHIP
ERIE COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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 and investments at December 31 was as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	\$ 76,550	\$ 22,701
STAR Ohio	1,568,502	1,691,544
Total deposits and investments	<u>\$ 1,645,052</u>	<u>\$ 1,714,245</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**HURON TOWNSHIP
ERIE COUNTY**

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 390,884	\$ 386,436	\$ (4,448)
Special Revenue	521,392	553,449	32,057
Fiduciary	16,391	16,304	(87)
Total	<u>\$ 928,667</u>	<u>\$ 956,189</u>	<u>\$ 27,522</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,522,863	\$ 489,773	\$ 1,033,090
Special Revenue	1,103,656	519,318	584,338
Fiduciary	16,391	16,291	100
Total	<u>\$ 2,642,910</u>	<u>\$ 1,025,382</u>	<u>\$ 1,617,528</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 608,124	\$ 325,713	\$ (282,411)
Special Revenue	493,126	535,685	42,559
Fiduciary	15,600	15,511	(89)
Total	<u>\$ 1,116,850</u>	<u>\$ 876,909</u>	<u>\$ (239,941)</u>

**HURON TOWNSHIP
ERIE COUNTY**

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

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,189,335	\$ 982,427	\$ 1,206,908
Special Revenue	1,283,356	761,037	522,319
Fiduciary	15,600	15,511	89
Total	\$ 3,488,291	\$ 1,758,975	\$ 1,729,316

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 payments, 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

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

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

**HURON TOWNSHIP
ERIE COUNTY**

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

6. RISK MANAGEMENT

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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.

Property Coverage

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 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 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 2002 and 2001 (the most recent years for which data is available):

**HURON TOWNSHIP
ERIE COUNTY**

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

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$ 23,757,036	\$ 23,703,776
Liabilities	(9,197,512)	(9,379,003)
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	(1,204,326)	(647,667)
Retained Earnings	<u>\$ 5,392,670</u>	<u>\$ 4,363,464</u>

7. RELATED PARTY TRANSACTIONS

The Township employs Jerry Boos as a snow plow operator, and paid compensation in the amount of \$308.28 during fiscal year 2003, and \$661.50 in fiscal year 2002. Jerry Boos is the son of Trustee Robert Boos. The Township hired Tammy Boos as an Administrative Assistant to the Building Department in December 2003, no compensation was received during fiscal year 2003. Tammy Boos is the daughter-in-law of Trustee Robert Boos.

8. SUBSEQUENT EVENTS

In October 2003, the Township levied a lodging excise tax of 3 percent on receipts derived from transient guests for all hotels or other lodgings in which five or more rooms are rented, exclusive of the City of Huron. Collections are to begin in fiscal year 2004.

9. FUND RECLASSIFICATION

In prior years activity of the Zoning Department was accounted for in the Special Revenue Fund Type. In fiscal year 2002, the Township changed the classification of this fund to include financial activity of the Zoning Department in the General Fund. This change was made because there are no specific restrictions on the expenditure for monies derived from zoning fees therefore, this activity would be appropriately recorded in the General Fund. This fund reclassification had the following effect on fund balances reported at December 31, 2001:

**HURON TOWNSHIP
ERIE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>
Fund Balance at December 31, 2001	\$ 1,584,155	\$ 937,113
Adjustment for fund reclassification	152,127	(152,127)
Restated Fund Balance at December 31, 2001	<u>\$ 1,736,282</u>	<u>\$ 784,986</u>



**Auditor of State
Betty Montgomery**

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

Huron Township
Erie County
1820 Bogart Road
Huron, Ohio 44839-9139

To the Board of Trustees:

We have audited the accompanying financial statements of Huron Township, Erie County, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated March 18, 2004, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN and wherein we noted the Township changed the classification of the Zoning Fund. We conducted our audits 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 18, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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 18, 2004.

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



Betty Montgomery
Auditor of State

March 18, 2004



**Auditor of State
Betty Montgomery**

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HURON TOWNSHIP

ERIE 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
APRIL 22, 2004**