



Mary Taylor, CPA
Auditor of State

**HURON TOWNSHIP
ERIE COUNTY**

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Mary Taylor, CPA

Auditor of State

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 the governmental activities, each major fund, and the aggregate remaining fund information of Huron Township, Erie County, Ohio (the Township), as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 Government 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Township, Erie County, Ohio, as of December 31, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and Fire District funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2007, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Mary Taylor, CPA
Auditor of State

February 12, 2007

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

This discussion and analysis of the Huron Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2004, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2004 are as follows:

- Net assets of governmental activities increased \$432,411, or 26.3 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund.
- The Township's general receipts are primarily property taxes, grants and entitlements not restricted to specific programs. These receipts represent respectively 28.5 and 36.1 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2004 due to initiation of hotel excise tax. The grants and entitlements not restricted to specific programs increased due to the receipt of a large inheritance tax settlement.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township has one type of activity.

Governmental activities - This classification is used for classifying most of the Township's basic services. The largest portion consists of salaries and related expenses for the Zoning and Road Maintenance and Repair departments. The Township contracts with the City of Huron for fire protection and EMS Services. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. General receipts finance most of these activities.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are classified as governmental and fiduciary funds.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund and the Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the Township-wide financial statements because the resources of these funds are not available to support the Township's programs.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2004 compared to 2003 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2004	2003
Assets		
Cash and Cash Equivalents	\$2,077,450	\$1,645,039
Net Assets		
Restricted for:		
Capital Outlay	175,000	
Other Purposes	514,487	616,397
Unrestricted	1,387,963	1,028,642
Total Net Assets	\$2,077,450	\$1,645,039

As mentioned previously, net assets of governmental activities increased \$432,411 or 26.3 percent during 2004. The primary reasons contributing to the increase in cash balances are as follows:

- Salaries increased 33% due to the hiring of two full-time employees; a Building Inspector and an Administrative Assistant, along with their additional health benefits.
- The Township received a total of \$573,156 in Estate Tax in 2004.
- The Township enacted a hotel excise tax. The revenue for 2004 was \$175,913.
- The Township Zoning Department had significant permits. One permit for the construction of the new Kalahari Resort was approximately \$249,000.
- The Township purchased ten weather warning sirens in 2004, which cost approximately \$159,345.
- In 2004, Fox Road was widened and resurfaced for an approximate cost of \$381,172. An Issue 2 grant was received for this project from the State of Ohio for \$174,985.
- The Township transferred \$175,000 from the Fire District account to a new account called Capital Improvement Fire Equipment Fund in 2004.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2004. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of Township-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities 2004</u>
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$415,471
Operating Grants and Contributions	<u>76,216</u>
Total Program Receipts	<u>491,687</u>
General Receipts:	
Property and Other Local Taxes	734,670
Grants and Entitlements Not Restricted to Specific Programs	706,723
Interest	24,866
Miscellaneous	<u>1,278</u>
Total General Receipts	<u>1,467,537</u>
Total Receipts	<u>1,959,224</u>
Disbursements:	
General Government	373,610
Public Safety	305,686
Public Works	740,136
Health	42,121
Capital Outlay	<u>65,260</u>
Total Disbursements	<u>1,526,813</u>
Increase in Net Assets	432,411
Net Assets, January 1, 2004	<u>1,645,039</u>
Net Assets, December 31, 2004	<u><u>\$2,077,450</u></u>

Program receipts represent only 25.1 percent of total receipts and are primarily comprised of zoning permits revenues.

General receipts represent 74.9 percent of the Township's total receipts. Of this amount, over 50 percent are property and other local taxes, and 48 percent are grants and entitlements. Other receipts are very insignificant and somewhat unpredictable revenue sources.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Disbursements for the Township represent the costs of running the Township and the support services provided for the other Township activities. These include the costs of the Trustees, Fiscal Officer, Building Inspector's Office, and the Road Department payroll and purchasing.

General Government is the cost of payroll and purchasing for the Trustees, Fiscal Officer, and Building Inspector's Office. Public Safety is the cost associated with providing fire and EMS Services. Public Works is the cost of road maintenance and lighting Township intersections.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are General government and public works, which account for 24.5 and 48.5 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2004	Net Cost of Services 2004
General Government	\$373,610	(\$9,706)
Public Safety	305,686	305,686
Public Works	740,136	656,145
Health	42,121	17,741
Capital Outlay	65,260	65,260
Total Expenses	\$1,526,813	\$1,035,126

The dependence upon property taxes and grants and entitlements not restricted to specific programs is apparent as 67.8 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$1,959,224 and disbursements of \$1,526,813. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$359,321 as the result of increased revenue associated with increases to the hotel excise tax, building permits, estate tax, and grants and entitlements previously discussed. The Fire District fund balance decreased \$181,296. This was mainly due to a transfer of \$175,000 to a capital reserve for future purchases of fire equipment.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

During 2004, the Township amended its General Fund budget several times to reflect changing circumstances. Final estimated receipts totaled \$498,750 while actual receipts were \$1,346,597 for a difference of \$847,847. Final budgeted receipts were higher than the original budgeted receipts due to additional tax receipts, building permits, and estate taxes.

Final disbursements were budgeted at \$1,347,391 while actual disbursements were \$988,172 for a difference of \$359,219. \$171,156 of this difference is associated with Capital Outlay appropriations of \$173,000 while expenditures were \$1,844. This was due to the Township appropriating for anticipated capital improvements that were postponed.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local taxes to support the tax base.

The Township has enacted a hotel excise tax and in year 2005, Kalahari Resort will open in May which will provide a substantial amount of revenue. This income will help with the added police service, EMS and fire protection needed for such a big resort. Also, the added revenue will help with road repair due to the added traffic. Reliance on local taxes is still imminent. We reviewed our sources of revenue and determined that increases were likely.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Diane Adams, Fiscal Officer, Huron Township, 1820 Bogart Road, Huron, Ohio, 44839-9139.

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,077,450</u></u>
Net Assets	
Restricted for:	
Capital Projects	175,000
Other Purposes	514,487
Unrestricted	<u>1,387,963</u>
<i>Total Net Assets</i>	<u><u>\$2,077,450</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

		<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental Activities			<u>Governmental Activities</u>
General Government	\$373,610	\$383,316	\$9,706
Public Safety	305,686		(305,686)
Public Works	740,136	7,775	\$76,216 (656,145)
Health	42,121	24,380	(17,741)
Capital Outlay	65,260		(65,260)
<i>Total Governmental Activities</i>	<u>1,526,813</u>	<u>415,471</u>	<u>76,216</u> <u>(1,035,126)</u>
General Receipts			
Property Taxes			558,757
Other Taxes			175,913
Grants and Entitlements not Restricted to Specific Programs			706,723
Interest			24,866
Miscellaneous			1,278
<i>Total General Receipts</i>			<u>1,467,537</u>
Change in Net Assets			432,411
<i>Net Assets Beginning of Year</i>			<u>1,645,039</u>
<i>Net Assets End of Year</i>			<u>\$2,077,450</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	Fire District	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,387,963	\$52,883	\$636,604	\$2,077,450
Fund Balances				
Reserved:				
Reserved for Encumbrances	896		16,251	17,147
Designated for Fire Equipment			175,000	175,000
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	1,387,067			1,387,067
Special Revenue Funds		52,883	445,353	498,236
<i>Total Fund Balances</i>	<u>\$1,387,963</u>	<u>\$52,883</u>	<u>\$636,604</u>	<u>\$2,077,450</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN MODIFIED - CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	General	Fire District	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$286,524	\$263,366	\$185,086	\$734,976
Licenses, Permits and Fees	354,551		24,130	378,681
Intergovernmental	652,592	29,179	97,468	779,239
Special Assessments			7,469	7,469
Interest	24,023		843	24,866
Other	28,907	3,700	1,386	33,993
<i>Total Receipts</i>	<u>1,346,597</u>	<u>296,245</u>	<u>316,382</u>	<u>1,959,224</u>
Disbursements				
Current:				
General Government	373,610			373,610
Public Safety	17,570	288,116		305,686
Public Works	594,252		145,884	740,136
Health			42,121	42,121
Capital Outlay	1,844	14,425	48,991	65,260
<i>Total Disbursements</i>	<u>987,276</u>	<u>302,541</u>	<u>236,996</u>	<u>1,526,813</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>359,321</u>	<u>(6,296)</u>	<u>79,386</u>	<u>432,411</u>
Other Financing Sources (Uses)				
Transfers In			175,000	175,000
Transfers Out		(175,000)		(175,000)
<i>Total Other Financing Sources (Uses)</i>		<u>(175,000)</u>	<u>175,000</u>	
<i>Net Change in Fund Balances</i>	359,321	(181,296)	254,386	432,411
<i>Fund Balances Beginning of Year</i>	<u>1,028,642</u>	<u>234,179</u>	<u>382,218</u>	<u>1,645,039</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,387,963</u></u>	<u><u>\$52,883</u></u>	<u><u>\$636,604</u></u>	<u><u>\$2,077,450</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$115,000	\$295,000	\$286,524	(\$8,476)
Licenses, Permits and Fees	50,000	50,000	354,551	304,551
Intergovernmental	113,600	113,600	652,592	538,992
Interest	18,000	18,000	24,023	6,023
Other	21,150	21,150	28,907	7,757
<i>Total receipts</i>	<u>317,750</u>	<u>497,750</u>	<u>1,346,597</u>	<u>848,847</u>
Disbursements				
Current:				
General Government	451,253	456,173	374,506	81,667
Public Safety	17,000	47,000	17,570	29,430
Public Works	674,139	639,218	594,252	44,966
Health	4,000	4,000		4,000
Conservation-Recreation	28,000	28,000		28,000
Capital Outlay	173,000	173,000	1,844	171,156
<i>Total Disbursements</i>	<u>1,347,392</u>	<u>1,347,391</u>	<u>988,172</u>	<u>359,219</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,029,642)</u>	<u>(849,641)</u>	<u>358,425</u>	<u>1,208,066</u>
Other Financing Sources				
Other Financing Sources	1,000	1,000		(1,000)
<i>Net Change in Fund Balance</i>	(1,028,642)	(848,641)	358,425	1,207,066
<i>Fund Balance Beginning of Year</i>	<u>\$1,028,642</u>	<u>1,028,642</u>	<u>1,028,642</u>	
<i>Fund Balance End of Year</i>		<u>\$180,001</u>	<u>\$1,387,067</u>	<u>\$1,207,066</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$245,000	\$245,000	\$263,366	\$18,366
Intergovernmental	25,772	25,772	29,179	3,407
Other			3,700	3,700
<i>Total receipts</i>	<u>270,772</u>	<u>270,772</u>	<u>296,245</u>	<u>25,473</u>
Disbursements				
Current:				
Public Safety	322,951	293,600	288,116	5,484
Capital Outlay	182,000	36,351	14,425	21,926
<i>Total Disbursements</i>	<u>504,951</u>	<u>329,951</u>	<u>302,541</u>	<u>27,410</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(234,179)</u>	<u>(59,179)</u>	<u>(6,296)</u>	<u>52,883</u>
Other Financing Uses				
Transfers Out		(175,000)	(175,000)	
<i>Net Change in Fund Balance</i>	(234,179)	(234,179)	(181,296)	52,883
<i>Fund Balance Beginning of Year</i>	<u>\$234,179</u>	<u>\$234,179</u>	<u>234,179</u>	
<i>Fund Balance End of Year</i>			<u><u>\$52,883</u></u>	<u><u>\$52,883</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
AGENCY FUND
DECEMBER 31, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$65</u>
Net Assets	
Restricted	<u>\$65</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE 1 – REPORTING ENTITY

Huron Township, Erie County, Ohio (the Township), is a body politic and corporate established in 1820 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 Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

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 City of Huron for fire protection and ambulance services. Police protection is provided by the Erie County Sheriff's Office.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units.

C. Jointly Governed Organization and Public Entity Risk Pool

The Huron Area Joint Recreation District (District) is a jointly governed organization between Huron Township, the Huron City School District, and the City of Huron. Note 12 provides additional information regarding this organization.

The Ohio Township Association Risk Management Authority (OTARMA) is a public entity risk sharing pool available to Ohio Townships. Note 7 provides additional information regarding this entity.

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

HURON TOWNSHIP
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township did not have any business type activities.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a *modified* cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township's funds are classified as governmental.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major funds:

General Fund - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire District Fund – This fund receives the proceeds from property tax levies that are expended for providing and maintaining fire protection services within the Township.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to 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 has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for proceeds and subsequent disbursement of tax levy monies to the Huron Public Library.

C. Basis of Accounting

The Township's financial statements are prepared using the *modified* cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this *modified* cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalent".

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 negative receipts, respectively.

During 2004, the Township investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 was \$24,023 which includes \$7,927 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes consist of various taxes and grants restricted for use by the ballot language on the levy or grantor. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Designations of fund balances represent monies set aside by the Township for specified future use. The Township's designated fund balances have been set aside for future acquisition of fire equipment. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Interfund Transfers

Interfund transfers are reported as other financing sources/uses in governmental funds. During 2004, interfund transfers occurred between governmental activities only; therefore this activity is eliminated from the entity wide statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the *modified* cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. There are no adjustments to beginning fund balances since the basis of accounting has not changed.

The Township's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities and the fund statements that provide a more detailed level of financial information.

For fiscal year 2004, the Township has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY –
(CONTINUED)**

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Township, however additional note disclosure can be found in Note 5.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and fire district fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the *modified* cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$896 for the general fund. The fire district fund had no encumbrances outstanding at year end.

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Township's bank balance was covered by FDIC. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2005, the Township had the following investments:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Percent to Total</u>	<u>Maturity</u>
STAR Ohio	<u>2,059,368</u>	<u>2,059,368</u>	<u>100%</u>	Approximately 1 month.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 6 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

The full tax rate for all Township operations for the year ended December 31, 2004, was \$5.14 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property	
Residential	\$82,596,800
Agriculture	\$4,061,730
Commercial/Industrial/Mineral	\$16,094,690
Public Utility Property	
Real	\$33,730
Personal	\$3,786,880
Tangible Personal Property	\$10,596,900
Total Assessed Value	<u>\$117,170,730</u>

NOTE 7 – 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 coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

HURON TOWNSHIP
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

NOTE 7 – RISK MANAGEMENT – (CONTINUED)

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, 2004:

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$30,687,203
Liabilities	<u>(13,640,962)</u>
Retained earnings	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2004</u>
Assets	\$7,799,073
Liabilities	<u>(753,906)</u>
Retained earnings	<u>\$7,045,167</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

HURON TOWNSHIP
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

NOTE 8 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

The Township's required contributions for pension obligations for the years ended December 31, 2004, 2003, and 2002, were \$34,377, \$22,986, and \$19,600 respectively. The full amount has been contributed for 2004, 2003, and 2002.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits was \$303,936. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2003 (the latest information available), was \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 10 – INTERFUND TRANSFERS

During 2004 the following transfers were made:

Transfers from the Fire District Fund to:	
Other Governmental Funds	<u>\$ 175,000</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to establish a reserve fund in accordance with Ohio Revised Code § 5705.13(C) for future fire equipment purchases.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

NOTE 11 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

The Huron Area Joint Recreation District (District) is a jointly governed organization between Huron Township, the Huron City School District, and the City of Huron. The Township appoints three members to the nine-member commission. In 2004 the Township contributed \$0 to the District. Each entity's control is limited to its representation on the governing board. The District's continued existence is not dependent on the Township's continued participation. The District is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden on the Township. Financial information on the District can be obtained from Huron City School District 712 Cleveland Rd. East, Huron, Ohio 44839-9139.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Township, Erie County, (the Township) as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated February 12, 2007, wherein we noted the Township prepared its financial statements on the modified cash basis of accounting. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 12, 2007



Mary Taylor, CPA
Auditor of State

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
MARCH 8, 2007