



**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, 2005, 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, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Fire District funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

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, 2005  
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, 2005, 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 2005 are as follows:

- Net assets of governmental activities increased \$878,078, or 42.3 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 and grants and entitlements not restricted to specific programs. These receipts represent respectively 30.61 and 21.1 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2005 increased due to the hotel excise tax. The grants and entitlements not restricted to specific programs decreased because the estate tax settlement was not as much as the previous year.

**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.

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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.

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, 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.



**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The Township's major governmental funds are the General Fund, the Road and Bridge 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.

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 has an Agency Fund that is used to account for tax receipts and subsequent distributions to the Huron Public Library.

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2005	2004
<b>Assets</b>		
Cash and Cash Equivalents	\$2,955,528	\$2,077,450
 <b>Net Assets</b>		
Restricted for:		
Capital Outlay	515,000	175,000
Other Purposes	544,574	514,487
Unrestricted	1,895,954	1,387,963
Total Net Assets	\$2,955,528	\$2,077,450

As mentioned previously, net assets of governmental activities increased \$878,078 or 42.3 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Salaries increased only 10% in 2005.
- The Township received a total of \$295,360 in estate tax in 2005.
- The Hotel Excise Tax increased from \$175,913 in 2004, to \$407,137 in 2005, due to the opening of the new Kalahari Resort.
- The Township Zoning Department received \$180,356 for 2005.
- The Township voters passed a replacement fire replacement levy in 2004, which will generate an additional \$63,662 annually in 2005.
- The Township transferred \$315,000 from the General Fund and \$25,000 from the Fire District Fund to the Capital Improvement Fire Equipment Fund in 2005.
- There was no major road project in 2005.

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets comparative analysis in 2005 from 2004.

(Table 2)  
**Changes in Net Assets**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$248,080	\$415,471
Operating Grants and Contributions	85,422	76,216
Capital Grants and Contributions	174,985	
Total Program Receipts	<u>508,487</u>	<u>491,687</u>
General Receipts:		
Property and Other Local Taxes	1,039,438	734,670
Grants and Entitlements Not Restricted to Specific Programs	434,922	706,723
Interest	78,716	24,866
Miscellaneous	1,748	1,278
Total General Receipts	<u>1,554,824</u>	<u>1,467,537</u>
Total Receipts	<u>2,063,311</u>	<u>1,959,224</u>
Disbursements:		
General Government	394,468	373,610
Public Safety	431,826	305,686
Public Works	207,299	740,136
Health	39,696	42,121
Parks & Recreation	15,000	
Capital Outlay	96,944	65,260
Total Disbursements	<u>1,185,233</u>	<u>1,526,813</u>
Increase in Net Assets	878,078	432,411
Net Assets, January 1	<u>2,077,450</u>	<u>1,645,039</u>
Net Assets, December 31	<u><u>\$2,955,528</u></u>	<u><u>\$2,077,450</u></u>

Program receipts represent only 24.6 percent of total receipts and are primarily comprised of zoning permits revenues.

General receipts represent 75.4 percent of the Township's total receipts. Of this amount 50.4 percent are property and other local taxes, and 21.1 percent are grants and entitlements. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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.

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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. Health is the cost to operate the Township's cemeteries. Parks & Recreation is the Township's share of funding that department. Capital Outlay is the cost of equipment purchased.

**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 safety, which account for 33.3 and 36.4 percent of all governmental disbursements, respectively. The next three 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)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$394,468	(\$19,279)	\$373,610	(\$9,706)
Public Safety	431,826	431,826	305,686	305,686
Public Works	207,299	113,259	740,136	656,145
Health	39,696	38,996	42,121	17,741
Parks & Recreation	15,000	15,000		
Capital Outlay	96,944	96,944	65,260	65,260
<b>Total Expenses</b>	<b>\$1,185,233</b>	<b>\$676,746</b>	<b>\$1,526,813</b>	<b>\$1,035,126</b>

The dependence upon property taxes and grants and entitlements not restricted to specific programs is apparent as over 57.1 percent of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$2,063,312 and disbursements of \$1,185,234, exclusive of transfer activity. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$507,991 as the result of increased revenue due to the hotel excise tax, building permits, estate tax, and grants and entitlements previously discussed.

**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, 2005  
UNAUDITED  
(Continued)**

Original and final estimated receipts totaled \$670,076 while actual receipts were \$1,360,889 for a difference of \$690,813. Final budgeted receipts were higher than the original budgeted receipts due to additional tax receipts, building permits, and estate taxes.

During 2005 the Township amended its General Fund appropriations several times to reflect changing circumstances. Final disbursements were budgeted at \$1,580,678 while actual disbursements were \$935,971, for a difference of \$644,707. \$164,345 of this difference was associated with Capital Outlay appropriations of \$165,000 while expenditures were \$655. This was due to the Township appropriating for anticipated capital improvements that were postponed. \$322,035 of this difference was associated with Public Works appropriations of \$440,000 while expenditures were \$117,965. This was due to appropriating for road projects that were subsequently 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.

A storm sewer on Fox Road at Rt. 250 was installed, which costs approximately \$90,000. The next road project for 2006 will be the Boos Road widening, resurfacing, reconstruction at the intersection of Boos Road and Bogart Road. The estimated cost for this project is approximately \$1,000,000.

**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, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,955,528</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	515,000
Other Purposes	544,574
Unrestricted	<u>1,895,954</u>
<i>Total Net Assets</i>	<u><u>\$2,955,528</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, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				<b>Governmental Activities</b>
General Government	\$394,468	\$238,762		\$174,985
Public Safety	431,826			(431,826)
Public Works	207,299	8,618	85,422	(113,259)
Health	39,696	700		(38,996)
Conservation-Recreation	15,000			(15,000)
Capital Outlay	96,944			(96,944)
<i>Total Governmental Activities</i>	<u>1,185,233</u>	<u>248,080</u>	<u>85,422</u>	<u>174,985</u>
<b>General Receipts</b>				
Property Taxes				632,301
Other Taxes				407,137
Grants and Entitlements not Restricted to Specific Programs				434,922
Interest				78,716
Miscellaneous				1,748
<i>Total General Receipts</i>				<u>1,554,824</u>
Change in Net Assets				878,078
<i>Net Assets Beginning of Year</i>				<u>2,077,450</u>
<i>Net Assets End of Year</i>				<u><u>\$2,955,528</u></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, 2005

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	<u>\$1,895,954</u>	<u>\$223,579</u>	<u>\$45,916</u>	<u>\$790,079</u>	<u>\$2,955,528</u>
<b>Fund Balances</b>					
Reserved:					
Reserved for Encumbrances	83,073	66,701			149,774
Designated for Fire Equipment				515,000	515,000
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	1,812,881				1,812,881
Special Revenue Funds		156,878	45,916	275,079	477,873
<i>Total Fund Balances</i>	<u>\$1,895,954</u>	<u>\$223,579</u>	<u>\$45,916</u>	<u>\$790,079</u>	<u>\$2,955,528</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, 2005

	General	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$519,373	\$156,626	\$328,143	\$35,464	\$1,039,606
Licenses, Permits and Fees	180,357				180,357
Fines and Forfeitures				26,150	26,150
Intergovernmental	550,648	17,845	37,393	89,444	695,330
Special Assessments				8,449	8,449
Interest	76,507			2,209	78,716
Other	34,004			699	34,703
<i>Total Receipts</i>	<u>1,360,889</u>	<u>174,471</u>	<u>365,536</u>	<u>162,415</u>	<u>2,063,311</u>
<b>Disbursements</b>					
Current:					
General Government	394,468				394,468
Public Safety	92,883		338,943		431,826
Public Works	34,892	96,931		75,476	207,299
Health				39,696	39,696
Conservation-Recreation	15,000				15,000
Capital Outlay	655	34,096	8,560	53,633	96,944
<i>Total Disbursements</i>	<u>537,898</u>	<u>131,027</u>	<u>347,503</u>	<u>168,805</u>	<u>1,185,233</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>822,991</u>	<u>43,444</u>	<u>18,033</u>	<u>(6,390)</u>	<u>878,078</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In				340,000	340,000
Transfers Out	(315,000)		(25,000)		(340,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(315,000)</u>		<u>(25,000)</u>	<u>340,000</u>	
<i>Net Change in Fund Balances</i>	507,991	43,444	(6,967)	333,610	878,078
<i>Fund Balances Beginning of Year</i>	<u>1,387,963</u>	<u>180,135</u>	<u>52,883</u>	<u>456,469</u>	<u>2,077,450</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,895,954</u></u>	<u><u>\$223,579</u></u>	<u><u>\$45,916</u></u>	<u><u>\$790,079</u></u>	<u><u>\$2,955,528</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, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$290,002	\$290,002	\$519,373	\$229,371
Licenses, Permits and Fees	50,000	50,000	180,357	130,357
Intergovernmental	287,460	287,460	550,648	263,188
Interest	12,075	12,075	76,507	64,432
Other	30,539	30,539	34,004	3,465
<i>Total receipts</i>	<u>670,076</u>	<u>670,076</u>	<u>1,360,889</u>	<u>690,813</u>
<b>Disbursements</b>				
Current:				
General Government	483,783	478,166	394,468	83,698
Public Safety	148,000	154,512	92,883	61,629
Public Works	610,000	440,000	117,965	322,035
Conservation-Recreation	28,000	28,000	15,000	13,000
Capital Outlay	165,000	165,000	655	164,345
<i>Total Disbursements</i>	<u>1,434,783</u>	<u>1,265,678</u>	<u>620,971</u>	<u>644,707</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(764,707)</u>	<u>(595,602)</u>	<u>739,918</u>	<u>1,335,520</u>
<b>Other Financing Sources</b>				
Transfers Out	(145,000)	(315,000)	(315,000)	
<i>Net Change in Fund Balance</i>	(909,707)	(910,602)	424,918	1,335,520
<i>Fund Balance Beginning of Year</i>	<u>1,387,067</u>	<u>\$1,387,067</u>	<u>\$1,387,067</u>	
Prior Year Encumbrances Appropriated	<u>\$896</u>	<u>896</u>	<u>896</u>	
<i>Fund Balance End of Year</i>	<u><u>\$478,256</u></u>	<u><u>\$477,361</u></u>	<u><u>\$1,812,881</u></u>	<u><u>\$1,335,520</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  
ROAD AND BRIDGE  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$151,302	\$151,302	\$156,626	\$5,324
Intergovernmental	15,080	15,080	17,845	2,765
Other	1,200	1,200		(1,200)
<i>Total receipts</i>	<u>167,582</u>	<u>167,582</u>	<u>174,471</u>	<u>6,889</u>
<b>Disbursements</b>				
Current:				
Public Works	182,000	172,271	96,931	75,340
Capital Outlay	90,000	100,797	100,797	
<i>Total Disbursements</i>	<u>272,000</u>	<u>273,068</u>	<u>197,728</u>	<u>75,340</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(104,418)</u>	<u>(105,486)</u>	<u>(23,257)</u>	<u>82,229</u>
<i>Fund Balance Beginning of Year</i>	<u>178,991</u>	<u>178,991</u>	<u>178,991</u>	
Prior Year Encumbrances Appropriated	1,144	1,144	1,144	
<i>Fund Balance End of Year</i>	<u><u>\$75,717</u></u>	<u><u>\$74,649</u></u>	<u><u>\$156,878</u></u>	<u><u>\$82,229</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  
FIRE DISTRICT  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$261,772	\$325,000	\$328,143	\$3,143
Intergovernmental	27,375	34,360	37,393	3,033
Other	1,500	1,500		(1,500)
<i>Total receipts</i>	<u>290,647</u>	<u>360,860</u>	<u>365,536</u>	<u>4,676</u>
<b>Disbursements</b>				
Current:				
Public Safety	292,538	354,066	338,943	15,123
Capital Outlay		8,560	8,560	
<i>Total Disbursements</i>	<u>292,538</u>	<u>362,626</u>	<u>347,503</u>	<u>15,123</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,891)</u>	<u>(1,766)</u>	<u>18,033</u>	<u>19,799</u>
<b>Other Financing Uses</b>				
Transfers Out		(25,000)	(25,000)	
<i>Net Change in Fund Balance</i>	(1,891)	(26,766)	(6,967)	19,799
<i>Fund Balance Beginning of Year</i>	<u>52,883</u>	<u>52,883</u>	<u>52,883</u>	
<i>Fund Balance End of Year</i>	<u>\$50,992</u>	<u>\$26,117</u>	<u>\$45,916</u>	<u>\$19,799</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, 2005

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$196</u></u>
<b>Net Assets</b>	
Restricted	<u><u>\$196</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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 11 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 6 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, 2005  
(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, 2005  
(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.

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

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, 2005  
(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 2005, the Township investments were limited to nonnegotiable certificates of deposit and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. 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, 2005.

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 2005 was \$76,507 which includes \$27,542 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, 2005  
(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 7 and 8, 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 2005, interfund transfers occurred between governmental activities only; therefore this activity is eliminated from the entity wide statements.

**NOTE 3 – 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 \$83,073 for the general fund and \$66,701 for the road and bridge fund. The fire district fund had no encumbrances outstanding at year end.

**NOTE 4 – 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.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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;
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.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)**

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 and collateral pledged by financial institutions in the name of the Township. 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>2,387,479</u>	<u>2,387,479</u>	<u>100%</u>	Approximately 1 month.

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 5 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, 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.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 5 – PROPERTY TAXES – (CONTINUED)**

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.14 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 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 6 – RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships 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 occurrence, including claim 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 \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

HURON TOWNSHIP  
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2005:

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$30,485,638
Liabilities	<u>(12,344,576)</u>
Retained earnings	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2005</u>
Assets	\$9,177,796
Liabilities	<u>(1,406,031)</u>
Retained earnings	<u>\$7,771,765</u>

At December 31, 2005, casualty coverage liabilities noted above include approximately \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$35,940. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 6 – RISK MANAGEMENT – (CONTINUED)**

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**Township Contributions to OTARMA**

2003	\$14,969
2004	\$16,507
2005	\$17,970

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of 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 was incurred or reported prior to the withdrawal.

**NOTE 7 – 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, 2005, 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 2005 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, 2005  
(Continued)**

**NOTE 7 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)**

The Township's required contributions for pension obligations for the years ended December 31, 2005, 2004, and 2003, \$38,063, \$34,377, \$22,986 were respectively. The full amount has been contributed for 2005, 2004, and 2003.

**NOTE 8 - 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 2005 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 9 – INTERFUND TRANSFERS**

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$ 315,000
Transfers from the Fire District Fund to:	
Other Governmental Funds	25,000
Total	<u>\$ 340,000</u>

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**NOTE 9 – INTERFUND TRANSFERS – (CONTINUED)**

Transfers represent the contribution of receipts collected in the General and Fire District fund to a reserve fund established in previous years in accordance with Ohio Revised Code § 5705.13(C) for future fire equipment purchases.

**NOTE 10 – 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 11 – 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 2005 the Township contributed \$15,000 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.





# 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, 2005, 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