



**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, 2007, 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 Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the 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 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, 2007, and the respective changes in 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 August 13, 2008, 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

August 13, 2008

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED**

This discussion and analysis of the Huron Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's 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 2007 are as follows:

- Net assets of governmental activities increased \$992,209 or 34.9%. 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, other taxes (hotel excise tax) and grants and entitlements not restricted to specific programs. These receipts represent respectively 35.1%, 39.3%, and 16.7% percent of the total general receipts received for governmental activities during the year. Receipts for 2007 increased due to the hotel excise tax. Property tax, grants and interest earnings for 2007 also increased.

**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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 cash basis of accounting.

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
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 2007, within the limitations of 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 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 department. The Township contracts with the City of Huron for fire protection and EMS Services. The Township contracts with the Erie County Sheriff's Office for added police protection. 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, Fire District Fund, Fire Equipment Capital Project Fund, Road and Bridge, and the Capital Projects Road 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, 2007  
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 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 2007 compared to 2006 on a cash basis:

(Table 1)

**Net Assets**

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$3,838,933	\$2,846,724
Net Assets		
Restricted For:		
Capital Outlay	1,444,744	785,000
Other Purposes	634,248	574,333
Unrestricted	1,759,941	1,487,391
Total Net Assets	\$3,838,933	\$2,846,724

As mentioned previously, net assets of governmental activities increased \$992,209 during 2007. The primary reasons contributing to the increase in net assets are as follows:

- The Township received a total of \$177,467 in estate tax in 2007, compared to \$90,108 in 2006.
- The Hotel Excise Tax increased to \$849,182 in 2007, from \$764,290 in 2006.
- The Township Zoning Department received \$278,653 for 2007, compared to \$215,197 in 2006.
- The Township received approximately \$40,000 more in Property taxes in 2007 than in 2006.
- The Township received approximately \$25,000 more in Interest in 2007 than in 2006.
- The Township spent approximately \$1,150,000 less for Public Works in 2007 as compared to 2006.

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

Table 2 reflects the changes in net assets comparative analysis in 2007 from 2006.

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

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$361,590	\$290,074
Operating Grants and Contributions	97,827	95,032
Capital Grants and Contributions		381,595
Total Program Receipts	<u>459,417</u>	<u>766,701</u>
General Receipts:		
Property and Other Local Taxes	1,607,538	1,483,422
Grants and Entitlements Not Restricted to Specific Programs	360,634	220,263
Interest	167,173	142,587
Miscellaneous	25,435	9,213
Total General Receipts	<u>2,160,780</u>	<u>1,855,485</u>
Total Receipts	<u>2,620,197</u>	<u>2,622,186</u>
Disbursements:		
General Government	403,459	410,637
Public Safety	611,887	540,444
Public Works	404,723	1,554,488
Health	50,089	46,633
Parks and Recreation	24,000	23,850
Capital Outlay	133,830	154,936
Total Disbursements	<u>1,627,988</u>	<u>2,730,988</u>
Change in Net Assets	992,209	(108,802)
Net Assets, January 1	<u>2,846,724</u>	<u>2,955,722</u>
Net Assets, December 31	<u><u>\$3,838,933</u></u>	<u><u>\$2,846,724</u></u>

Program receipts represent only 17.5 percent of total receipts and are primarily comprised of zoning permits revenues.

General receipts represent 82.5 percent of the Township's total receipts. Of this amount 74.4 percent is property and other local taxes, 7.7 percent is interest receipts, and 16.7 percent is 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, 2007  
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. Health is the cost to operate the Township's cemeteries. Parks and 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, public safety, and public works which account for 24.8, 37.6 and 24.9 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)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2007	2007	2006	2006
General Government	\$403,459	\$57,485	\$410,637	\$133,224
Public Safety	611,887	611,887	540,444	445,412
Public Works	404,723	292,680	1,554,488	1,160,232
Health	50,089	48,689	46,633	46,633
Parks & Recreation	24,000	24,000	23,850	23,850
Capital Outlay	133,830	133,830	154,936	154,936
<b>Total Expenses</b>	<b>\$1,627,988</b>	<b>\$1,168,571</b>	<b>\$2,730,988</b>	<b>\$1,964,287</b>

The dependence upon property taxes, other local taxes, and grants and entitlements not restricted to specific programs is apparent as 71.8 percent of governmental activities are supported through general receipts.

**HURON TOWNSHIP  
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
UNAUDITED  
(Continued)**

**The Township's Funds**

Total governmental funds had receipts of \$2,620,197 and disbursements of \$1,627,988, exclusive of transfer activity. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by over \$1,000,000 due to increases in property taxes, hotel motel taxes, interest earnings and fewer disbursements for public works (road projects) of approximately \$1,200,000 when compared to 2006. The Township did transfer \$770,000 from the General Fund to other governmental funds, reducing the overall General Fund gain to \$272,550.

The Road and Bridge Fund's cash balance increased due to approximately \$30,000 more in property taxes and intergovernmental receipts and the fact receipts overall exceeded disbursements. The Fire District Fund's cash balance decreased approximately \$23,000 due to increased expenditures compared to 2006. The Capital Projects Road Fund was established in 2007 and received a transfer of \$600,000 from the General Fund.

**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.

Original and final estimated receipts totaled \$951,367 while actual receipts were \$1,752,993 for a difference of \$801,626. Actual receipts were higher than the budgeted receipts due to additional tax receipts, interest receipts, estate tax, hotel excise tax, and zoning fee permits than were unanticipated.

During 2007, the Township amended its General Fund budget to reflect changing circumstances, although original and final disbursements and other financing uses were budgeted at \$1,999,700 while actual disbursements and other financing uses were \$1,487,439, for a difference of \$512,261. Of this amount, \$265,004 associated with public works for road projects that were not started that had been anticipated; \$30,790 was associated with Capital Outlay for equipment which was appropriated but not expended; and \$177,041 was associated with anticipating more General Government expenditures than what was actually needed.

**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 project the Township paid for in 2007 was the Camp Road Storm Sewer of which \$2,708 was from the General Fund, and \$67,952 was from Special Revenue Funds. Another project the Township finished was the Embankment Project in the amount of \$88,438.

**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, 419-433-2755.

**HURON TOWNSHIP  
ERIE COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$3,838,933</u></u>
 <b>Net Assets</b>	
Restricted for:	
Capital Projects	1,444,744
Other Purposes	634,248
Unrestricted	<u>1,759,941</u>
 <i>Total Net Assets</i>	<u><u>\$3,838,933</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP  
ERIE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007**

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>			
General Government	\$403,459	\$345,974	(\$57,485)
Public Safety	611,887		(611,887)
Public Works	404,723	14,216	(292,680)
Health	50,089	1,400	(48,689)
Conservation-Recreation	24,000		(24,000)
Capital Outlay	133,830		(133,830)
<i>Total Governmental Activities</i>	<u>1,627,988</u>	<u>361,590</u>	<u>97,827</u>
<b>General Receipts</b>			
Property Taxes			758,355
Other Taxes			849,183
Grants and Entitlements not Restricted to Specific Programs			360,634
Interest			167,173
Miscellaneous			25,435
<i>Total General Receipts</i>			<u>2,160,780</u>
Change in Net Assets			992,209
<i>Net Assets Beginning of Year</i>			<u>2,846,724</u>
<i>Net Assets End of Year</i>			<u>\$3,838,933</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP  
ERIE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	General	Road and Bridge	Fire District	Fire Equipment Capital	Capital Projects Road	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	<u>\$1,759,941</u>	<u>\$289,055</u>	<u>\$49,020</u>	<u>\$694,744</u>	<u>\$600,000</u>	<u>\$446,173</u>	<u>\$3,838,933</u>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances	6,996					2,815	9,811
Designated for Fire Equipment				694,744			694,744
Designated for Land Acquisition						150,000	150,000
Designated for Road Improvement					600,000		600,000
Unreserved:							
Undesignated, Reported in:							
General Fund	1,752,945						1,752,945
Special Revenue Funds		289,055	49,020			293,358	631,433
<b>Total Fund Balances</b>	<u>\$1,759,941</u>	<u>\$289,055</u>	<u>\$49,020</u>	<u>\$694,744</u>	<u>\$600,000</u>	<u>\$446,173</u>	<u>\$3,838,933</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP  
ERIE COUNTY**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN - CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

	General	Road and Bridge	Fire District
<b>Receipts</b>			
Property and Other Local Taxes	\$980,045	\$201,095	\$381,081
Licenses, Permits and Fees	278,653		
Intergovernmental	271,060	28,200	55,017
Special Assessments			
Interest	162,094		
Other	61,141		
<i>Total Receipts</i>	<u>1,752,993</u>	<u>229,295</u>	<u>436,098</u>
<b>Disbursements</b>			
Current:			
General Government	403,459		
Public Safety	152,774		459,113
Public Works	130,000	158,720	
Health			
Conservation-Recreation	24,000		
Capital Outlay	210	18,764	
<i>Total Disbursements</i>	<u>710,443</u>	<u>177,484</u>	<u>459,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,042,550</u>	<u>51,811</u>	<u>(23,015)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In			
Transfers Out	(770,000)		
<i>Total Other Financing Sources (Uses)</i>	<u>(770,000)</u>		
<i>Net Change in Fund Balances</i>	272,550	51,811	(23,015)
<i>Fund Balances Beginning of Year</i>	<u>1,487,391</u>	<u>237,244</u>	<u>72,035</u>
<i>Fund Balances End of Year</i>	<u><u>\$1,759,941</u></u>	<u><u>\$289,055</u></u>	<u><u>\$49,020</u></u>

See accompanying notes to the basic financial statements



Fire Equipment Capital	Capital Projects Road	Other Governmental Funds	Total Governmental Funds
		\$45,317	\$1,607,538
		26,855	305,508
		104,183	458,460
		14,216	14,216
		5,079	167,173
4,600		1,561	67,302
<u>4,600</u>		<u>197,211</u>	<u>2,620,197</u>
			403,459
			611,887
		116,003	404,723
		50,089	50,089
			24,000
114,856			133,830
<u>114,856</u>		<u>166,092</u>	<u>1,627,988</u>
<u>(110,256)</u>		<u>31,119</u>	<u>992,209</u>
120,000	\$600,000	50,000	770,000
			(770,000)
<u>120,000</u>	<u>600,000</u>	<u>50,000</u>	
9,744	600,000	81,119	992,209
<u>685,000</u>		<u>365,054</u>	<u>2,846,724</u>
<u>\$694,744</u>	<u>\$600,000</u>	<u>\$446,173</u>	<u>\$3,838,933</u>

**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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$573,000	\$573,000	\$980,045	\$407,045
Licenses, Permits and Fees	150,000	150,000	278,653	128,653
Intergovernmental	114,317	114,317	271,060	156,743
Interest	80,000	80,000	162,094	82,094
Other	34,050	34,050	61,141	27,091
<i>Total receipts</i>	<u>951,367</u>	<u>951,367</u>	<u>1,752,993</u>	<u>801,626</u>
<b>Disbursements</b>				
Current:				
General Government	580,500	580,500	403,459	177,041
Public Safety	191,200	191,200	152,774	38,426
Public Works	1,002,000	402,000	136,996	265,004
Conservation-Recreation	25,000	25,000	24,000	1,000
Capital Outlay	31,000	31,000	210	30,790
<i>Total Disbursements</i>	<u>1,829,700</u>	<u>1,229,700</u>	<u>717,439</u>	<u>512,261</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(878,333)</u>	<u>(278,333)</u>	<u>1,035,554</u>	<u>1,313,887</u>
<b>Other Financing Sources</b>				
Transfers Out	(170,000)	(770,000)	(770,000)	
Other Financing Sources				
<i>Net Change in Fund Balance</i>	(1,048,333)	(1,048,333)	265,554	1,313,887
<i>Fund Balance Beginning of Year</i>	<u>1,487,391</u>	<u>1,487,391</u>	<u>1,487,391</u>	
<i>Fund Balance End of Year</i>	<u>\$439,058</u>	<u>\$439,058</u>	<u>\$1,752,945</u>	<u>\$1,313,887</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$165,500	\$165,500	\$201,095	\$35,595
Intergovernmental	22,984	22,984	28,200	5,216
<i>Total receipts</i>	<u>188,484</u>	<u>188,484</u>	<u>229,295</u>	<u>40,811</u>
<b>Disbursements</b>				
Current:				
Public Works	340,876	340,876	158,720	182,156
Capital Outlay	80,000	80,000	18,764	61,236
<i>Total Disbursements</i>	<u>420,876</u>	<u>420,876</u>	<u>177,484</u>	<u>243,392</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(232,392)</u>	<u>(232,392)</u>	<u>51,811</u>	<u>284,203</u>
<i>Fund Balance Beginning of Year</i>	<u>225,368</u>	<u>225,368</u>	<u>225,368</u>	
Prior Year Encumbrances Appropriated	<u>11,876</u>	<u>11,876</u>	<u>11,876</u>	
<i>Fund Balance End of Year</i>	<u><u>\$4,852</u></u>	<u><u>\$4,852</u></u>	<u><u>\$289,055</u></u>	<u><u>\$284,203</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$346,760	\$346,760	\$381,081	\$34,321
Intergovernmental	44,051	44,051	55,017	10,966
<i>Total receipts</i>	<u>390,811</u>	<u>390,811</u>	<u>436,098</u>	<u>45,287</u>
<b>Disbursements</b>				
Current:				
Public Safety	462,408	462,408	459,113	3,295
<i>Excess of Disbursements Over Receipts</i>	<u>(71,597)</u>	<u>(71,597)</u>	<u>(23,015)</u>	<u>48,582</u>
<i>Fund Balance Beginning of Year</i>	<u>72,035</u>	<u>72,035</u>	<u>72,035</u>	
<i>Fund Balance End of Year</i>	<u><u>\$438</u></u>	<u><u>\$438</u></u>	<u><u>\$49,020</u></u>	<u><u>\$48,582</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, 2007**

**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.

Based on these criteria, the Township has no component units.

**C. Jointly Governed Organization and Public Entity Risk Pool**

The Township participates in one jointly governed organizations and one public entity risk pool. Notes 6 and 11 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:  
*The Huron Area Joint Recreation District*

Public Entity Risk Pool:  
The Ohio Township Association Risk Management Authority (OTARMA)

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, 2007  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This 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 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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 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 and fiduciary.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(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.

Road Improvement Capital Project Fund – Money is transferred into this fund for the future improvements on roads.

Fire Equipment Capital Project Fund – Money is transferred into this fund for the future purchases of fire equipment.

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 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 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.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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.

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 Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments

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

During 2007, the Township investments were limited to nonnegotiable certificates of deposit and 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, 2007.

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 2007 was \$162,094 which includes \$86,609 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.



**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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 cash basis of accounting.

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. Fund balance reserves have been established for encumbrances. The Township's designated fund balances have been set aside for future acquisition of fire equipment, land acquisition, and road improvements. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods.

L. Interfund Transfers

Interfund transfers are reported as other financing sources/uses in governmental funds. During 2007, interfund transfers occurred between governmental activities only; therefore this activity is eliminated from the entity wide statements.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**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 the major special revenue funds 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 cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$6,996 for the General Fund. The major special revenue funds 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.

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;

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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.

At year end, The Township had no undeposited cash on hand.

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, 2007, the Township had the following investments:

	Carrying Value	Market Value	Percent to Total	Maturity
STAR Ohio	3,809,291	3,809,291	100%	Approximately 1 month.

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

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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 calendar year ended December 31, 2007, was 5.14 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	281,509,640
Agriculture	5,274,930
Commercial/Industrial/Mineral	54,798,640
Public Utility Property	
Real	190,210
Personal	6,799,500
Tangible Personal Property	10,657,485
Total Assessed Value	<u>359,230,405</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.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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, 2007 and 2006:

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$29,852,866	\$29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. 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 \$36,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<u>Contributions to OTARMA</u>	
2005	\$17,970
2006	\$17,213
2007	\$18,195

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**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.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

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

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, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations for the years ended December 31, 2007, 2006, and 2005, were \$37,391, \$38,850, \$38,063, respectively. The full amount has been contributed for 2007, 2006, and 2005.

**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 2007 local government employer contribution rate was 13.85 percent of covered payroll. The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007, and 6.00% from July 1 through December 31, 2007.

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, 2006, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between .50% and 5% annually for the next eight years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
(Continued)**

**NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active participants for both plans used in the December 31, 2006, actuarial valuation was \$362,130. Actual employer contributions for 2007 which were used to fund post-employment benefits was \$13,499. 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, 2006 (the latest information available), was \$12.0 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**NOTE 9 – INTERFUND TRANSFERS**

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Nonmajor Governmental Funds	50,000
Fire Equipment Capital Fund	120,000
Capital Projects Road Fund	600,000
Total	<u>\$ 770,000</u>

Transfers represent the contribution of receipts collected in the General fund to a reserve fund established in previous years in accordance with Ohio Revised Code § 5705.13(C) for future fire equipment purchases (\$120,000), land purchase (50,000), and road improvement (600,000).

**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 2007 the Township contributed \$24,000 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.





# 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, 2007, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 13, 2008, wherein, we noted the Township prepared its financial statements on the cash basis of accounting. We also noted 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. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated August 13, 2008.

#### **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. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

August 13, 2008



**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  
SEPTEMBER 16, 2008**