



Dave Yost • Auditor of State



HURON TOWNSHIP  
ERIE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Huron Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Huron Township, Erie County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 5, 2014

**HURON TOWNSHIP  
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$1,690,342	\$646,702		\$22,878	\$2,359,922
Licenses, Permits and Fees	231,920	21,920			253,840
Intergovernmental	192,269	178,687		2,759	373,715
Special Assessments		23,179			23,179
Earnings on Investments	23,298	721			24,019
Miscellaneous	72,466	11,066			83,532
<i>Total Cash Receipts</i>	<u>2,210,295</u>	<u>882,275</u>		<u>25,637</u>	<u>3,118,207</u>
<b>Cash Disbursements</b>					
Current:					
General Government	467,396				467,396
Public Safety	364,250	449,369			813,619
Public Works	13,602	1,635,841			1,649,443
Health		66,549			66,549
Conservation-Recreation	754,458				754,458
Capital Outlay	157,877	98,616	\$368,375		624,868
<i>Total Cash Disbursements</i>	<u>1,757,583</u>	<u>2,250,375</u>	<u>368,375</u>		<u>4,376,333</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>452,712</u>	<u>(1,368,100)</u>	<u>(368,375)</u>	<u>25,637</u>	<u>(1,258,126)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	136,281	1,358,927	1,000,000		2,495,208
Transfers Out	(2,358,927)		(136,281)		(2,495,208)
Other Financing Uses				(25,597)	(25,597)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,222,646)</u>	<u>1,358,927</u>	<u>863,719</u>	<u>(25,597)</u>	<u>(25,597)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,769,934)</u>	<u>(9,173)</u>	<u>495,344</u>	<u>40</u>	<u>(1,283,723)</u>
<i>Fund Cash Balances, January 1</i>	<u>4,677,438</u>	<u>853,283</u>	<u>632,118</u>		<u>6,162,839</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		486,203			486,203
Committed		357,907	1,127,462		1,485,369
Assigned	175,495				175,495
Unassigned	2,732,009				2,732,009
<i>Fund Cash Balances, December 31</i>	<u>\$2,907,504</u>	<u>\$844,110</u>	<u>\$1,127,462</u>	<u>\$40</u>	<u>\$4,879,116</u>

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

**HURON TOWNSHIP  
ERIE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$1,721,006	\$648,742		\$23,738	\$2,393,486
Licenses, Permits and Fees	203,210	27,060			230,270
Intergovernmental	110,911	174,879		2,902	288,692
Special Assessments		23,162			23,162
Earnings on Investments	32,737	356			33,093
Miscellaneous	60,401	1,310			61,711
<i>Total Cash Receipts</i>	<u>2,128,265</u>	<u>875,509</u>		<u>26,640</u>	<u>3,030,414</u>
<b>Cash Disbursements</b>					
Current:					
General Government	454,807				454,807
Public Safety	336,498	432,321			768,819
Public Works	15,794	354,169	\$673,434		1,043,397
Health		64,992			64,992
Conservation-Recreation	354,578				354,578
Capital Outlay		206,711	421,984		628,695
<i>Total Cash Disbursements</i>	<u>1,161,677</u>	<u>1,058,193</u>	<u>1,095,418</u>		<u>3,315,288</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>966,588</u>	<u>(182,684)</u>	<u>(1,095,418)</u>	<u>26,640</u>	<u>(284,874)</u>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets		3,000			3,000
Transfers In	1,026,876	137,975	200,000		1,364,851
Transfers Out	(337,975)		(1,026,876)		(1,364,851)
Other Financing Uses				(26,640)	(26,640)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>688,901</u>	<u>140,975</u>	<u>(826,876)</u>	<u>(26,640)</u>	<u>(23,640)</u>
<i>Net Change in Fund Cash Balances</i>	1,655,489	(41,709)	(1,922,294)		(308,514)
<i>Fund Cash Balances, January 1</i>	<u>3,021,949</u>	<u>894,992</u>	<u>2,554,412</u>		<u>6,471,353</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		532,885			532,885
Committed		320,398	632,118		952,516
Assigned	474,919				474,919
Unassigned	4,202,519				4,202,519
<i>Fund Cash Balances, December 31</i>	<u>\$4,677,438</u>	<u>\$853,283</u>	<u>\$632,118</u>		<u>\$6,162,839</u>

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



**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Huron Township, Erie County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, parks and recreation services, and general government services. The Township contracts with the City of Huron to provide fire protection and ambulance services. The Township contracts with the Erie County Sheriff to provide police protection.

The Township participates in one jointly governed organization and one public entity risk pool. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

Jointly Governed Organization:

Huron Area Joint Recreation District provides parks and recreation services for its members.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. The Township had the following significant Special Revenue Funds:

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

Fire District Fund - This fund receives property tax money that to pay for fire protection and ambulance services.

**3. Capital Project Funds**

These funds account for and report financial resources that are committed to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Funds:

Fire Equipment Capital Project Fund – Money is transferred into this fund for the purchase of fire and ambulance equipment.

Capital Project Road Improvement Fund – Money is transferred into this fund for the construction and improvement of Township roads.

**4. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds 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 disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for the proceeds and subsequent disbursement of tax levy monies to the Huron Public Library.

HURON TOWNSHIP  
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The Ohio Revised Code requires each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund or program level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

HURON TOWNSHIP  
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance (Continued)

3. Committed

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

4. Assigned

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

5. Unassigned

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

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

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS**

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

	2013	2012
Demand deposits	\$55,350	\$28,092
Certificates of deposit	2,108,940	2,091,004
STAR Plus	1,130,465	1,906,578
Other time deposits (savings accounts)	1,584,361	2,137,165
Total deposits	<u>\$4,879,116</u>	<u>\$6,162,839</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,748,404	\$2,346,576	\$598,172
Special Revenue	864,668	2,241,202	1,376,534
Capital Projects	1,000,000	1,000,000	
Total	<u>\$3,613,072</u>	<u>\$5,587,778</u>	<u>\$1,974,706</u>

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,402,379	\$4,292,005	\$1,110,374
Special Revenue	1,291,943	2,299,650	(1,007,707)
Capital Projects	512,023	511,973	50
Total	<u>\$7,206,345</u>	<u>\$7,103,628</u>	<u>\$102,717</u>

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,147,267	\$3,155,141	\$7,874
Special Revenue	870,192	1,016,484	146,292
Capital Projects	200,000	200,000	
Total	<u>\$4,217,459</u>	<u>\$4,371,625</u>	<u>\$154,166</u>

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,445,560	\$1,974,571	\$2,470,989
Special Revenue	1,297,900	1,129,736	168,164
Capital Projects	2,139,837	2,122,294	17,543
Total	\$7,883,297	\$5,226,601	\$2,656,696

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge Fund by \$1,185,345 for the year ended December 31, 2013 and in the Capital Project Road Improvement Fund by \$8,430 for the year ended December 31, 2012.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

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  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

**HURON TOWNSHIP  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2012</u></b>
\$23,778	\$22,728

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**7. JOINTLY GOVERNED ORGANIZATION**

The Huron Area Joint Recreation District (the District) is a jointly governed organization between Huron Township, the Huron City School District, and the City of Huron providing parks and recreation services to members. The Township appoints three members to the nine-member commission. In 2013 and 2012, respectively, the Township contributed \$754,458 and \$144,223 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 the City of Huron, 417 Main Street, Huron, Ohio, 44839.

**8. INTERFUND TRANSACTIONS**

During 2012 the following transfers were made:

<b><u>Transfers To</u></b>	<b><u>Transfers From General</u></b>	<b><u>Transfers From Road Improvement</u></b>
General Fund		\$1,026,876
Road and Bridge Fund	\$137,975	
Fire Equipment Fund	170,000	
Alternative Energy Fund	30,000	
Total	<u>\$337,975</u>	<u>\$1,026,876</u>



HURON TOWNSHIP  
ERIE COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

8. INTERFUND TRANSACTIONS (Continued)

During 2013 the following transfers were made:

<u>Transfers To</u>	<u>Transfers From General</u>	<u>Transfers From Land</u>
General Fund		\$136,281
Road and Bridge Fund	\$1,358,927	
Future Building Fund	1,000,000	
Total	<u>\$2,358,927</u>	<u>\$136,281</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. COMPLIANCE

Contrary to Ohio law, the Township incorrectly recorded road construction, maintenance, and repair expenditures in the General Fund.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Huron Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 5, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 and 2013-003.

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 5, 2014

**HURON TOWNSHIP  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance Citation / Material Weakness**

**Ohio Rev. Code §5549.21** provides in part that all payments on account of machinery, tools, material, and labor necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the township shall be made from the township road fund.

The Township paid \$137,975 for road reconstruction, maintenance, and repair projects from the General Fund in 2012. The Township paid \$1,358,927 for road reconstruction, maintenance, and repair projects from the General Fund in 2013.

The accompanying financial statements and the Township's accounting records have been adjusted to reflect these payments from the Township's Road and Bridge special revenue fund.

Payments related to the construction, reconstruction, maintenance and repair of roads should be made from the Road and Bridge Fund.

**Officials' Response:**

This Fiscal Officer will monitor this in the future. This non-compliance was due to the unfamiliarity with ORC 5549.21. No funds will be spent out of the General Fund for roads in the future. Any monies needed for roads will be transferred to the Road and Bridge Fund from the General Fund.

**FINDING NUMBER 2013-002**

**Material Weakness - Financial Reporting**

We identified the following errors requiring adjustment to the financial statements or notes to the financial statements for the year ending December 31, 2012:

- Estimated Receipts were increased in the General Fund in the amount of \$1,413,035 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Budgeted Expenditures were decreased in the Special Revenue and Capital Projects Fund Types in the amounts of \$109,000 and \$1,026,876, respectively, in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;
- Outstanding encumbrances in the General Fund balance in the amount of \$474,919 were reclassified from Unassigned to Assigned; and
- The Road and Bridge Fund balance in the amount of \$320,398 was reclassified from Restricted to Committed;

### FINDING NUMBER 2013-002 (Continued)

We also identified the following errors requiring adjustment to the financial statements for the year ending December 31, 2013:

- Estimated Receipts were decreased in the Capital Projects Fund Type in the amount of \$336,281 in order to bring amounts reported in the notes to the financial statements in line with authorized budget amounts;

Additionally, immaterial errors not requiring adjustment to the financial statements were noted in the classification of certain receipt transactions and amounts posted to the accounting system for estimated receipts and budgeted expenditures ranging from \$514 to \$38,031.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer, to identify and correct errors and omissions. Also, the Fiscal Officer can refer to the Ohio Township Handbook at the following web site address for guidance on the recording of transactions: <https://ohioauditor.gov/publications/OhioTownshipHandbook2014.pdf>

#### Officials' Response:

This Fiscal Officer will monitor this in the future and also monitor the classification of encumbrances for the final report.

### FINDING NUMBER 2013-003

#### Noncompliance Citation

**Ohio Rev. Code §5705.41(B)** prohibits a subdivision or taxing unit from making any expenditure of money unless it has been lawfully appropriated.

Expenditures (\$1,594,945) exceeded appropriations (\$409,600) in the Road and Bridge Fund by \$1,185,345 at December 31, 2013 and expenditures (\$1,700,310) also exceeded appropriations (\$1,691,880) by \$8,430 in the Capital Project Road Improvement Fund at December 31, 2012.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Township encountering deficit spending. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Township Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

#### Officials' Response:

This Fiscal Officer notes that the large variance is due to the audit adjustment in Finding 2013-001. In the future the Fiscal Officer will ensure that appropriations for road expenses are made in the Road and Bridge Fund.



# Dave Yost • 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  
JULY 1, 2014**