



Dave Yost • Auditor of State



SHERMAN TOWNSHIP  
HURON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Sherman Township  
Huron County  
5143 Dogtown Road  
Monroeville, Ohio 44847

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Sherman Township, Huron 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 these 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 Sherman Township, Huron 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 August 12, 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

August 12, 2014

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$32,694	\$3,647	\$36,341
Licenses, Permits and Fees	344		344
Intergovernmental	18,030	100,561	118,591
Special Assessments		202	202
Earnings on Investments	90	39	129
Miscellaneous	139		139
<i>Total Cash Receipts</i>	<u>51,297</u>	<u>104,449</u>	<u>155,746</u>
<b>Cash Disbursements</b>			
Current:			
General Government	37,811		37,811
Public Works	1,672	44,283	45,955
Health	1,281		1,281
Other	1,131		1,131
Capital Outlay		6,536	6,536
Debt Service:			
Principal Retirement		1,957	1,957
<i>Total Cash Disbursements</i>	<u>41,895</u>	<u>52,776</u>	<u>94,671</u>
<i>Net Change in Fund Cash Balances</i>	9,402	51,673	61,075
<i>Fund Cash Balances, January 1</i>	<u>167,570</u>	<u>54,960</u>	<u>222,530</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		106,633	106,633
Unassigned	176,972		176,972
<i>Fund Cash Balances, December 31</i>	<u>\$176,972</u>	<u>\$106,633</u>	<u>\$283,605</u>

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

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,321	\$5,246		\$32,567
Licenses, Permits and Fees	273			273
Intergovernmental	17,301	96,737	\$309,131	423,169
Special Assessments		202		202
Earnings on Investments	76	41		117
Miscellaneous	12	1,067		1,079
<i>Total Cash Receipts</i>	<u>44,983</u>	<u>103,293</u>	<u>309,131</u>	<u>457,407</u>
<b>Cash Disbursements</b>				
Current:				
General Government	41,134			41,134
Public Works	1,249	135,236		136,485
Health	1,259			1,259
Capital Outlay		2,892	348,262	351,154
<i>Total Cash Disbursements</i>	<u>43,642</u>	<u>138,128</u>	<u>348,262</u>	<u>530,032</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,341</u>	<u>(34,835)</u>	<u>(39,131)</u>	<u>(72,625)</u>
<b>Other Financing Receipts</b>				
Other Debt Proceeds			\$39,131	39,131
<i>Net Change in Fund Cash Balances</i>	1,341	(34,835)		(33,494)
<i>Fund Cash Balances, January 1</i>	<u>166,229</u>	<u>89,795</u>		<u>256,024</u>
<b>Fund Cash Balances, December 31</b>				
Restricted		54,960		54,960
Unassigned	167,570			167,570
<i>Fund Cash Balances, December 31</i>	<u>\$167,570</u>	<u>\$54,960</u>		<u>\$222,530</u>

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



**SHERMAN TOWNSHIP  
HURON 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 Sherman Township, Huron County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, and cemetery maintenance.

The Township participates in a jointly governed organization. Huron River Joint Fire District provides fire protection and rescue services within the District and by contract to areas outside the District. Note 9 to the financial statements provides additional information for this entity.

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.

**2. Special Revenue Funds**

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

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted 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 Fund:

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

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

Issue II Fund - The Township received a grant and loan from the State of Ohio to improve Heyman Road.

**D. Budgetary Process**

The Ohio Revised Code requires each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, program, or object 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.

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**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 at December 31 was as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$283,605</u>	<u>\$222,530</u>

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

**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	\$49,595	\$51,297	\$1,702
Special Revenue	97,077	104,449	7,372
Total	\$146,672	\$155,746	\$9,074

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$217,165	\$43,001	\$174,164
Special Revenue	152,037	56,070	95,967
Total	\$369,202	\$99,071	\$270,131

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,505	\$44,983	(\$1,522)
Special Revenue	101,790	103,293	1,503
Capital Projects	309,131	348,262	39,131
Total	\$457,426	\$496,538	\$39,112

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,469	\$45,026	\$180,443
Special Revenue	178,850	139,343	39,507
Capital Projects	348,262	348,262	
Total	\$752,581	\$532,631	\$219,950

**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.

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
<b>Ohio Public Works Commission</b>		
Heyman Road Improvement Loan #CT260	\$37,174	0%

The Ohio Public Works Commission (OPWC) loan relates to a Heyman Road improvement project. The loan is interest free. The Township will repay the loan through semiannual installments through the year 2032.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loan
2014	\$1,957
2015	1,957
2016	1,957
2017	1,957
2018	1,957
2019-2023	9,785
2024-2028	9,785
2029-2032	7,819
Total	\$37,174

**6. 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.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**SHERMAN TOWNSHIP  
HURON COUNTY**

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

**8. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor 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.

**9. JOINTLY GOVERNED ORGANIZATION**

**Huron River Joint Fire District**

The Township is a member of Huron River Joint Fire District (the District). A four-member Board of Trustees governs the District with each member of the District appointing one board member. The member subdivisions are the Village of Monroeville, Peru Township, Ridgefield Township, and Sherman Township, all of which are located in Huron County. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained by contacting the District Fiscal Office at 15 Monroe Street, Monroeville, Ohio, 44847 or by calling (419) 465-2721.



# 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*

Sherman Township  
Huron County  
5143 Dogtown Road  
Monroeville, Ohio 44847

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 Sherman Township, Huron 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 August 12, 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 finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

### ***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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 12, 2014



**SHERMAN TOWNSHIP  
HURON 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**

**Material Weakness – Financial Reporting**

We identified errors such as the following requiring adjustment to the financial statements for the years ending December 31, 2013 and 2012:

- In 2012 the Township was the beneficiary of \$39,131 of Ohio Public Work Commission (OPWC) loan monies sent directly to the vendor by OPWC. The Fiscal Officer did not record memorandum receipt and expenditure activity for these on-behalf payments.
- In 2013 Property and Other Local Tax receipts in the amount of \$13,729 were incorrectly classified as Intergovernmental receipts in the General Fund.

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:**

In the future the Fiscal Officer will ensure proper transaction accounting and classification of all transactions for Sherman Township.

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# Dave Yost • Auditor of State

**SHERMAN TOWNSHIP**

**HURON 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 11, 2014**