



OHIO AUDITOR OF STATE
KEITH FABER



HURON TOWNSHIP
ERIE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2019	5
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Custodial Fund For the Year Ended December 31, 2019	6
Notes to the Financial Statements - For the Year Ended December 31, 2019	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2018	13
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) - Agency Fund For the Year Ended December 31, 2018	14
Notes to the Financial Statements - For the Year Ended December 31, 2018	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings (Prepared by Management)	26

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OHIO AUDITOR OF STATE KEITH FABER



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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 of the cash balances, receipts and disbursements by fund type, and related notes of Huron Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

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 such 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Township as of December 31, 2019 and 2018, 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 2.

Emphasis of Matters

As discussed in Note 11 to the financial statements, during 2019, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. We did not modify our opinion regarding this matter.

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 16, 2020

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Huron Township
Erie County
Combined Statement of Receipts, Disbursements, and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$1,852,147	\$714,319		\$2,566,466
Licenses, Permits and Fees	387,328	26,090		413,418
Intergovernmental	66,514	200,758		267,272
Special Assessments		25,050		25,050
Earnings on Investments	70,595	7,927		78,522
Miscellaneous	12,150	1,350		13,500
<i>Total Cash Receipts</i>	<u>2,388,734</u>	<u>975,494</u>		<u>3,364,228</u>
Cash Disbursements				
Current:				
General Government	602,022			602,022
Public Safety	946,467	602,093		1,548,560
Public Works	3,500	463,356		466,856
Health		45,329		45,329
Conservation-Recreation	171,875			171,875
Capital Outlay	2,297	27,940	\$1,378,817	1,409,054
<i>Total Cash Disbursements</i>	<u>1,726,161</u>	<u>1,138,718</u>	<u>1,378,817</u>	<u>4,243,696</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>662,573</u>	<u>(163,224)</u>	<u>(1,378,817)</u>	<u>(879,468)</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	1,631			1,631
Other Financing Uses	(2,351)			(2,351)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(720)</u>			<u>(720)</u>
<i>Net Change in Fund Cash Balances</i>	661,853	(163,224)	(1,378,817)	(880,188)
<i>Fund Cash Balances, January 1</i>	<u>1,478,767</u>	<u>913,581</u>	<u>2,501,272</u>	<u>4,893,620</u>
Fund Cash Balances, December 31				
Restricted		575,232		575,232
Committed		175,125	1,122,455	1,297,580
Unassigned	2,140,620			2,140,620
<i>Fund Cash Balances, December 31</i>	<u>\$2,140,620</u>	<u>\$750,357</u>	<u>\$1,122,455</u>	<u>\$4,013,432</u>

See accompanying notes to the financial statements.

Huron Township

Erie County

Statement of Receipts, Disbursements, and Change in

Fund Balance (Regulatory Cash Basis)

Custodial Fund

For the Year Ended December 31, 2019

	<u>Custodial</u>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	\$25,634
Intergovernmental	2,998
Other Financing Uses	<u>(30,073)</u>
<i>Net Change in Fund Cash Balance</i>	(1,441)
<i>Fund Cash Balance, January 1</i>	<u>1,442</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$1</u></u>

See accompanying notes to the financial statements.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting 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, park services, and general government services. The Township contracts with the City of Huron to provide fire services and ambulance services and the Erie County Sheriff's Office to provide police services.

Public Entity Risk Pool and Jointly Governed Organization

The Township participates in a public entity risk pool and a jointly governed organization. Notes 6 and 9 to the financial statements provide additional information for these entities.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the custodial fund (fiduciary fund type) which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

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

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 The Road and Bridge Fund receives property tax money for constructing, maintaining, and repairing Township road and bridges.

Fire District Fund The Fire District Fund receives property tax money for providing fire protection and emergency medical services.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 Fund:

Capital Project Fund - Future Building Fund The Capital Project Fund - Future Building Fund receives General Fund transfers to accumulate resources intended to be used for the purpose of future Township building construction and modification to the current Township building to house a fire department.

Fiduciary Funds Fiduciary funds include private purpose trust funds and custodial 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 did not have any trust funds.

The Township's custodial fund accounts for the proceeds and subsequent disbursements of tax levy money to Huron Public Library.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Capital Assets

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

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.

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:

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

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.

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.

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.

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.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,234,439	\$2,390,365	\$155,926
Special Revenue	953,888	975,494	21,606
Capital Projects	200,000		(200,000)
Total	\$3,388,327	\$3,365,859	(\$22,468)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,213,950	\$1,728,512	\$485,438
Special Revenue	1,440,439	1,138,718	301,721
Capital Projects	2,200,000	1,378,817	821,183
Total	\$5,854,389	\$4,246,047	\$1,608,342

Note 4 - 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:

	2019
Demand deposits	\$46,345
Certificates of deposit	1,685,700
Other time deposits (savings accounts)	25,051
STAR Plus	2,256,337
Total deposits	\$4,013,433

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 - Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

Note 6 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019.

Note 9 - Jointly Governed Organization

Huron Joint Recreation District (the District) is a jointly governed organization between Huron Township, Huron City School District, and the City of Huron providing parks and recreation services to its members. The Township appoints three (3) members to the nine (9) member commission. In 2019 the Township contributed \$91,875 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 financial 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.

Note 10 - Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 - Change in Accounting Principle

For fiscal year 2019, the Township has implemented GASB Statement No. 84, "*Fiduciary Activities*".

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Township will no longer be reporting agency funds. The Township reviewed its fiduciary fund and the fund will be reported in the new fiduciary fund classification of custodial fund. This fund reclassification was incorporated in the Township's 2019 financial statements; primarily the change in fund type name from agency to custodial. There were no restatements of fund balance deemed necessary.

Huron Township
Erie County
Combined Statement of Receipts, Disbursements, and Changes in
Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$1,629,224	\$699,614		\$2,328,838
Licenses, Permits and Fees	323,516	11,310		334,826
Intergovernmental	89,360	201,529		290,889
Special Assessments		25,262		25,262
Earnings on Investments	59,391	3,360	\$1,272	64,023
Miscellaneous	16,838	65,156		81,994
<i>Total Cash Receipts</i>	<u>2,118,329</u>	<u>1,006,231</u>	<u>1,272</u>	<u>3,125,832</u>
Cash Disbursements				
Current:				
General Government	563,666			563,666
Public Safety	789,191	453,000		1,242,191
Public Works	3,000	1,025,828		1,028,828
Health		52,790		52,790
Conservation-Recreation	241,875			241,875
Capital Outlay	30,026	216,983		247,009
<i>Total Cash Disbursements</i>	<u>1,627,758</u>	<u>1,748,601</u>		<u>3,376,359</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>490,571</u>	<u>(742,370)</u>	<u>1,272</u>	<u>(250,527)</u>
Other Financing Receipts (Disbursements)				
Transfers In	180,095	863,524		1,043,619
Transfers Out	(863,524)		(180,095)	(1,043,619)
Other Financing Sources	937			937
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(682,492)</u>	<u>863,524</u>	<u>(180,095)</u>	<u>937</u>
<i>Net Change in Fund Cash Balances</i>	<u>(191,921)</u>	<u>121,154</u>	<u>(178,823)</u>	<u>(249,590)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,670,688</u>	<u>792,427</u>	<u>2,680,095</u>	<u>5,143,210</u>
Fund Cash Balances, December 31				
Restricted		591,410		591,410
Committed		322,171	2,501,272	2,823,443
Assigned	35,944			35,944
Unassigned	1,442,823			1,442,823
<i>Fund Cash Balances, December 31</i>	<u>\$1,478,767</u>	<u>\$913,581</u>	<u>\$2,501,272</u>	<u>\$4,893,620</u>

See accompanying notes to the financial statements.

Huron Township
Erie County
Statement of Receipts, Disbursements, and Change in
Fund Balance (Regulatory Cash Basis)
Agency Fund
For the Year Ended December 31, 2018

	Agency
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	\$24,738
Intergovernmental	2,885
Other Financing Uses	(27,473)
<i>Net Change in Fund Cash Balance</i>	150
<i>Fund Cash Balance, January 1</i>	1,292
<i>Fund Cash Balance, December 31</i>	\$1,442

See accompanying notes to the financial statements.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note - Reporting 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, park services, and general government services. The Township contracts with the City of Huron to provide fire services and ambulance services and the Erie County Sheriff's Office to provide police services.

Public Entity Risk Pool and Jointly Governed Organization

The Township participates in a public entity risk pool and a jointly governed organization. Notes 6 and 9 to the financial statements provide additional information for these entities.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) for all governmental fund types, and a statement of receipts, disbursements, and change in fund balance (regulatory cash basis) for the agency fund (fiduciary fund type) which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

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

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 The Road and Bridge Fund receives property tax money for constructing, maintaining, and repairing Township road and bridges.

Fire District Fund The Fire District Fund receives property tax money for providing fire protection and emergency medical services.

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 Fund:

Capital Project Alternative Energy Fund The Capital Project Alternative Energy Fund receives General Fund transfers to accumulate resources intended to be used for the purpose of alternative energy to be used within Township facilities.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 did not have any trust funds.

The Township's agency fund accounts for the proceeds and subsequent disbursements of tax levy money to Huron Public Library.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D). 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 financial reporting provisions of Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, 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.

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.

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 2018 budgetary activity appears in Note 3.

Capital Assets

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

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
For the Year Ended December 31, 2018

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:

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

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.

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,835,517	\$2,299,361	\$463,844
Special Revenue	1,551,053	1,869,755	318,702
Capital Projects	19,905	1,272	(18,633)
Total	\$3,406,475	\$4,170,388	\$763,913

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,186,905	\$2,522,782	(\$335,877)
Special Revenue	994,000	1,753,045	(759,045)
Capital Projects	680,095	180,095	500,000
Total	\$3,861,000	\$4,455,922	(\$594,922)

Note 4 - 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:

	2018
Demand deposits	\$156,496
Certificates of deposit	1,660,167
Other time deposits (savings accounts)	874,771
STAR Plus	2,203,628
Total deposits	\$4,895,062

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Note 5 - Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 - Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool covers the following risks:

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Huron Township
Erie County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Jointly Governed Organization

Huron Joint Recreation District (the District) is a jointly governed organization between Huron Township, Huron City School District, and the City of Huron providing parks and recreation services to its members. The Township appoints three (3) members to the nine (9) member commission. In 2018 the Township contributed \$85,625 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 financial 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.

Note 10 - Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 - Compliance

Contrary to Ohio law, expenditures exceeded appropriations in several funds at December 31, 2018.

Also contrary to Ohio law, the Township incorrectly transferred monies from reserve funds.



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**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 the cash balances, receipts, and disbursements by fund type of Huron Township, Erie County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated December 16, 2020 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. We also noted the Township adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. In addition, we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Township.

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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-002 and 2019-003 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 financial statement. 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 2019-001 and 2019-002.

Township's Response to Findings

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 16, 2020

HURON TOWNSHIP
ERIE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2019-001

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township's General Fund and Road and Bridge Fund had expenditures in excess of appropriations of \$335,877 and \$602,423, as of December 31, 2018, respectively. Additional immaterial instances of similar noncompliance were also noted at December 31, 2018.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2019-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.13(C) states "a taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for the acquisition, construction, or improvement of fixed assets for which money was accumulated in such a fund before the end of that ten-year period, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money."

The Township previously established the Alternative Energy Capital Project Fund under the provisions of Ohio Rev. Code § 5705.13(C) to be funded through General Fund transfers. During 2018 the ten year period expired with no contract being entered into for the acquisition, construction, or improvement of fixed assets related to renewable energy. Due to deficiencies in internal controls over compliance, the Township incorrectly transferred the balance of the Alternative Energy Capital Project Fund in the amount of \$180,095 to the Miscellaneous Capital Projects Fund. Additionally, during 2019 the Fiscal Officer posted capital outlay disbursements for an ambulance and boat motor from this transfer in the Miscellaneous Capital Projects Fund. The transfer in and corresponding capital outlay disbursements should have been accounted for in the General Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

**FINDING NUMBER 2019-002
(CONTINUED)**

In addition, the Township previously established the Capital Project Fund - Future Building Fund under the provisions of Ohio Rev. Code § 5705.13(C) to be funded through General Fund transfers. Due to deficiencies in internal controls over compliance, the Township incorrectly transferred \$19,905 to the Miscellaneous Capital Projects Fund from the Capital Project Fund - Future Building Fund. Capital reserve expenses should be consistent with the purpose for which the reserve was established. The Miscellaneous Capital Projects Fund was not established for purposes consistent with the Capital Project Fund - Future Building Fund. Since the Capital Project Fund - Future Building Fund reserve was still in use and had not expired during 2019, the transfer should have not been made. Any unused reserve funds should be returned to the General Fund and subsequently transferred to another appropriate fund in accordance with Ohio Rev. Code § 5705.14. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatements.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2019-003

Material Weakness - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2019 were identified:

- General Fund assigned fund balance in the amount of \$2,108,500 has been reclassified to unassigned in accordance with the provisions of Governmental Accounting Standards Board Statement No. 54 (GASB Cod 1800.165 - .179); and
- Special Revenue Fund Type intergovernmental receipts and public works disbursements were each decreased in the amount of \$84,931 to properly account for an overpayment.

Also identified were the following errors requiring adjustment to the financial statements and/or notes to the financial statements for the year ended December 31, 2018:

- General Fund and Capital Projects Fund Type transfers in and transfers out (in each fund type) were overstated in the amount of \$176,300; and
- General Fund, Special Revenue Fund Type, and Capital Projects Fund Type appropriation authority were decreased in the amounts of \$808,836, \$653,662, and \$372,505, respectively, in order to bring the amounts reported in the Budgetary Activity note to the financial statements in line with the authorized budget amounts.

**FINDING NUMBER 2019-003
(CONTINUED)**

These errors were not identified and corrected prior to the Township preparing its financial statements and notes to the financial statements due to deficiencies in the Township's internal controls over financial statement monitoring. The accompanying financial statements, notes to the financial statements, and where applicable, the Township's account records have been adjusted to reflect these changes. Additional errors in smaller relative amounts were also noted for the years ended December 31, 2019 and 2018.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes to the financial statements by the Fiscal Officer and Trustees to help identify and correct errors and omissions. The Fiscal Officer can refer to the Ohio Township Handbook at the following website address for guidance on the recording of transactions:

<http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>

Also, the Fiscal Officer can refer to Auditor of State Bulletin 2011-004 at the following website address for information on Governmental Accounting Standards Board Statement No. 54:

<http://www.ohioauditor.gov/publications/bulletins/2011/2011-004.pdf>

Officials' Response:

The Township will make every effort to follow all directions of the Auditor of State in the coming years.



TRUSTEES

Robert C. Boos
Edward J. Enderle
Gordon B. Hahn

**HURON TOWNSHIP
BOARD OF TRUSTEES**

1820 BOGART RD. • HURON, OHIO 44839
(419) 433-2755

FISCAL OFFICER

Matthew S. Dewey

BUILDING OFFICIAL

John A. Zimmerman

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Material Weakness for errors in Financial Reporting. Finding initially reported as Finding 2013-002.	Not corrected and reissued as Finding 2019-003 in this report.	This matter was not corrected due to deficiencies in the Township's internal controls over financial reporting. The Township will make every effort to follow the directions of the State Auditor in the coming years.

OHIO AUDITOR OF STATE KEITH FABER



HURON TOWNSHIP

ERIE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 1/5/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov