



Mary Taylor, CPA
Auditor of State

**HURON TOWNSHIP
ERIE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets –Cash Basis – December 31, 2006	9
Statement of Activities –Cash Basis – For the Year Ended December 31, 2006.....	10
Statement of Cash Basis Assets and Fund Balances Governmental Funds – December 31, 2006	11
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances Governmental Funds – For the Year Ended December 31, 2006.....	12
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006.....	13
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire District Fund For the Year Ended December 31, 2006.....	14
Statement of Fiduciary Net Assets –Cash Basis Agency Fund – December 31, 2006	15
Notes to the Basic Financial Statements	16
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	29

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Township, Erie County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Township, Erie County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General and Fire District funds thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 13, 2008

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Huron Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

- Net assets of governmental activities decreased \$108,802. The fund most affected by the decrease in cash and cash equivalents was the General Fund.
- The Township's general receipts are primarily property taxes, other taxes (hotel excise tax), and grants and entitlements not restricted to specific programs. These receipts represent respectively 38.7%, 41.2%, and 11.9% percent of the total general receipts received for governmental activities during the year. Receipts for 2006 increased due to the hotel excise tax. Property tax receipts and earnings on investments were also significantly higher than 2005. These increases offset a decrease in grants and entitlements not restricted to specific programs due to the estate tax settlement not as much as the previous year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township has one type of activity:

Governmental activities - This classification is used for classifying most of the Township's basic services. The largest portion consists of salaries and related expenses for the Zoning and Road Maintenance and Repair department. The Township contracts with the City of Huron for fire protection and EMS Services. The Township contracts with the Erie County Sheriff's Office for added police protection. Benefits provided through governmental activities are not necessarily paid for by the people receiving them. General receipts finance most of these activities.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are classified as governmental and fiduciary funds.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Fire Equipment Capital Project Fund, and the Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the Township-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has an Agency Fund that is used to account for tax receipts and subsequent distributions to the Huron Public Library.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$2,846,724	\$2,955,526
Net Assets		
Restricted For:		
Capital Outlay	785,000	515,000
Other Purposes	574,333	544,570
Unrestricted	1,487,391	1,895,956
Total Net Assets	\$2,846,724	\$2,955,526

As mentioned previously, net assets of governmental activities decreased \$108,802 or 3.7% during 2006. The primary reasons contributing to the decrease in cash balances are as follows:

- The Township received a total of \$90,109 in estate tax in 2006, compared to \$295,360 in 2005; a decrease of \$205,241.
- The Hotel Excise Tax increased from \$407,137 in 2005 to \$764,290 in 2006, due to one full year of operating at the Kalahari Resort; an increase of \$357,153.
- The Township Zoning Department received \$215,197 for 2006, compared to \$180,356 in 2005; an increase of \$34,841.

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

- The public works expenditures increased \$1,347,189 from 2005 to 2006 which offset the receipt increases. The Boos Road Improvement was a major road project in 2006. The cost of the project was \$801,425. The Township paid \$380,000 to the County for asphalt projects in 2006. Another project the Township paid for was the Fox Road Storm Sewer in the amount of \$82,032.
- For the Boos Road Improvement Project, the Township received a reimbursement for Erie County's portion of the project of \$206,769.

Table 2 reflects the changes in net assets comparative analysis in 2006 from 2005.

(Table 2)

Changes in Net Assets

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$290,074	\$248,080
Operating Grants and Contributions	95,032	85,422
Capital Grants and Contributions	381,595	174,985
Total Program Receipts	<u>766,701</u>	<u>508,487</u>
General Receipts:		
Property and Other Local Taxes	1,483,422	1,039,438
Grants and Entitlements Not Restricted to Specific Programs	220,263	434,922
Interest	142,587	78,716
Miscellaneous	9,213	1,748
Total General Receipts	<u>1,855,485</u>	<u>1,554,824</u>
Total Receipts	<u>2,622,186</u>	<u>2,063,311</u>
Disbursements:		
General Government	410,637	394,468
Public Safety	540,444	431,826
Public Works	1,554,488	207,299
Health	46,633	39,696
Parks and Recreation	23,850	15,000
Capital Outlay	154,936	96,944
Total Disbursements	<u>2,730,988</u>	<u>1,185,233</u>
Increase/(Decrease) in Net Assets	(108,802)	878,078
Net Assets, January 1	<u>2,955,526</u>	<u>2,077,448</u>
Net Assets, December 31	<u>\$2,846,724</u>	<u>\$2,955,526</u>

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Program receipts represent only 29.2 percent of total receipts and are primarily comprised of zoning permits revenues, and Issue 2 funds received.

Included in the capital grants and contributions is a payment from Erie County for their portion of the Township Boos Road project in the amount of \$206,769.

General receipts represent 70.8 percent of the Township's total receipts. Of this amount 80 percent is property and other local taxes, 7.7 percent is interest, and 11.9 percent is grants and entitlements. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for the Township represent the costs of running the Township and the support services provided for the other Township activities. These include the costs of the Trustees, Fiscal Officer, Building Inspector's Office, and the Road Department payroll and purchasing.

General Government is the cost of payroll and purchasing for the Trustees, Fiscal Officer, and Building Inspector's Office. Public Safety is the cost associated with providing fire and EMS Services. Public Works is the cost of road maintenance and lighting Township intersections. Health is the cost to operate the Township's cemeteries. Parks and Recreation is the Township's share of funding that department. Capital Outlay is the cost of equipment purchased.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are General government, public safety, and public works which account for 15.0, 19.8 and 56.9 percent of all governmental disbursements, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost	Net Cost	Total Cost	Net Cost
	Of Services	of Services	Of Services	of Services
	2006	2006	2005	2005
General Government	\$410,637	\$133,224	\$394,468	(\$19,279)
Public Safety	540,444	445,412	431,826	431,826
Public Works	1,554,488	1,160,232	207,299	113,259
Health	46,633	46,633	39,696	38,996
Conservation-Recreation	23,850	23,850	15,000	15,000
Capital Outlay	154,936	154,936	96,944	96,944
Total Expenses	\$2,730,988	\$1,964,287	\$1,185,233	\$676,746

**HURON TOWNSHIP
ERIE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

The dependence upon property taxes, other taxes, and grants and entitlements not restricted to specific programs, and other general receipts is apparent as 72 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,622,186 and disbursements of \$2,730,988, exclusive of transfer activity. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$408,565 as the result of increased public works expenditures for road projects and transfers to Capital Project Funds.

The Fire District Fund's cash balance increased \$26,120 due to approximately \$47,000 more in property tax receipts when compared to 2005. The Fire Equipment Capital Fund's cash balance increased \$170,000 to \$685,000 due to a transfer from the General Fund.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Original and Final estimated receipts totaled \$989,997 while actual receipts were \$1,828,707 for a difference of \$838,710. Final budgeted receipts were lower than the actual receipts due to additional tax receipts, zoning permits, interest receipts, and grant funds received in 2006 that were unanticipated.

During 2006 the Township amended its General Fund budget several times to reflect changing circumstances. Final disbursements and other financing uses were budgeted at \$2,433,754 while actual disbursements and other financing uses were \$2,237,272, for a difference of \$196,482. Of this amount, \$140,113 was associated with the General Government Function and spending amounts less than anticipated. Also \$29,055 was associated with Capital Outlay for equipment which was appropriated but not expended.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on local taxes to support the tax base.

A storm sewer on Fox Road at Rt. 250 was installed at a cost of approximately \$82,082. The Boos Road Improvement was a major road project in 2006. The cost of the project was \$801,425 which was made up of Issue 2 funds from the State of Ohio in the amount of \$174,826, a reimbursement from Erie County's portion of the project of \$206,769, and the remainder paid by the Township. Next year the Township will install a storm sewer on Camp Road, and work on the Embankment Project.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Diane Adams, Fiscal Officer, Huron Township, 1820 Bogart Road, Huron, Ohio, 44839-0679.

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,846,724</u></u>
Net Assets	
Restricted for:	
Capital Projects	785,000
Other Purposes	574,333
Unrestricted	<u>1,487,391</u>
<i>Total Net Assets</i>	<u><u>\$2,846,724</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

		Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$410,637	\$277,413			(\$133,224)
Public Safety	540,444		95,032		(445,412)
Public Works	1,554,488	12,661		\$381,595	(1,160,232)
Health	46,633				(46,633)
Conservation-Recreation	23,850				(23,850)
Capital Outlay	154,936				(154,936)
<i>Total Governmental Activities</i>	2,730,988	290,074	95,032	381,595	(1,964,287)
General Receipts					
Property Taxes					719,132
Other Taxes					764,290
Grants and Entitlements not Restricted to Specific Programs					220,263
Interest					142,587
Miscellaneous					9,213
<i>Total General Receipts</i>					1,855,485
Change in Net Assets					(108,802)
<i>Net Assets Beginning of Year</i>					2,955,526
<i>Net Assets End of Year</i>					\$2,846,724

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Fire District	Fire Equipment Capital	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$1,487,391	\$72,035	\$685,000	\$602,298	\$2,846,724
Fund Balances					
Reserved:					
Reserved for Encumbrances			107,544	11,876	119,420
Designated for Land Purchase				100,000	100,000
Designated for Fire Equipment			577,456		577,456
Unreserved:					
Undesignated, Reported in:					
General Fund	1,487,391				1,487,391
Special Revenue Funds		72,035		490,422	562,457
<i>Total Fund Balances</i>	\$1,487,391	\$72,035	\$685,000	\$602,298	\$2,846,724

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN - CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006**

	General	Fire District	Fire Equipment Capital	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$885,754	\$375,712		\$221,956	\$1,483,422
Licenses, Permits and Fees	215,197			26,375	241,572
Intergovernmental	546,420	34,860		115,610	696,890
Special Assessments				12,661	12,661
Interest	138,022			4,565	142,587
Other	43,314			1,740	45,054
<i>Total Receipts</i>	<u>1,828,707</u>	<u>410,572</u>		<u>382,907</u>	<u>2,622,186</u>
Disbursements					
Current:					
General Government	410,637				410,637
Public Safety	162,220	378,224			540,444
Public Works	1,368,620			185,868	1,554,488
Health				46,633	46,633
Conservation-Recreation	23,850				23,850
Capital Outlay	1,945	6,228		146,763	154,936
<i>Total Disbursements</i>	<u>1,967,272</u>	<u>384,452</u>		<u>379,264</u>	<u>2,730,988</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(138,565)</u>	<u>26,120</u>		<u>3,643</u>	<u>(108,802)</u>
Other Financing Sources (Uses)					
Transfers In			\$170,000	100,000	270,000
Transfers Out	(270,000)				(270,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(270,000)</u>		<u>170,000</u>	<u>100,000</u>	
<i>Net Change in Fund Balances</i>	(408,565)	26,120	170,000	103,643	(108,802)
<i>Fund Balances Beginning of Year</i>	<u>1,895,956</u>	<u>45,915</u>	<u>515,000</u>	<u>498,655</u>	<u>2,955,526</u>
<i>Fund Balances End of Year</i>	<u>\$1,487,391</u>	<u>\$72,035</u>	<u>\$685,000</u>	<u>\$602,298</u>	<u>\$2,846,724</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$573,000	\$573,000	\$885,754	\$312,754
Licenses, Permits and Fees	150,000	150,000	215,197	65,197
Intergovernmental	152,947	152,947	546,420	393,473
Interest	80,000	80,000	138,022	58,022
Other	34,050	34,050	43,314	9,264
<i>Total receipts</i>	<u>989,997</u>	<u>989,997</u>	<u>1,828,707</u>	<u>838,710</u>
Disbursements				
Current:				
General Government	552,750	550,750	410,637	140,113
Public Safety	174,200	186,200	162,220	23,980
Public Works	1,084,804	1,370,804	1,368,620	2,184
Conservation-Recreation	25,000	25,000	23,850	1,150
Capital Outlay	141,000	31,000	1,945	29,055
<i>Total Disbursements</i>	<u>1,977,754</u>	<u>2,163,754</u>	<u>1,967,272</u>	<u>196,482</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(987,757)</u>	<u>(1,173,757)</u>	<u>(138,565)</u>	<u>1,035,192</u>
Other Financing Sources				
Transfers Out	(170,000)	(270,000)	(270,000)	
<i>Net Change in Fund Balance</i>	(1,157,757)	(1,443,757)	(408,565)	1,035,192
<i>Fund Balance Beginning of Year</i>	<u>1,812,882</u>	<u>\$1,812,882</u>	<u>\$1,812,882</u>	
Prior Year Encumbrances Appropriated	<u>\$83,074</u>	<u>83,074</u>	<u>83,074</u>	
<i>Fund Balance End of Year</i>	<u><u>\$738,199</u></u>	<u><u>\$452,199</u></u>	<u><u>\$1,487,391</u></u>	<u><u>\$1,035,192</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$321,760	\$321,760	\$375,712	\$53,952
Intergovernmental	37,600	37,600	34,860	(2,740)
<i>Total receipts</i>	<u>359,360</u>	<u>359,360</u>	<u>410,572</u>	<u>51,212</u>
Disbursements				
Current:				
Public Safety	399,000	394,772	378,224	16,548
Capital Outlay	2,000	6,228	6,228	
<i>Total Disbursements</i>	<u>401,000</u>	<u>401,000</u>	<u>384,452</u>	<u>16,548</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(41,640)</u>	<u>(41,640)</u>	<u>26,120</u>	<u>67,760</u>
<i>Fund Balance Beginning of Year</i>	<u>45,915</u>	<u>45,915</u>	<u>45,915</u>	
<i>Fund Balance End of Year</i>	<u><u>\$4,275</u></u>	<u><u>\$4,275</u></u>	<u><u>\$72,035</u></u>	<u><u>\$67,760</u></u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
AGENCY FUND
DECEMBER 31, 2006

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$23</u>
Net Assets	
Restricted for other purposes	<u>\$23</u>

See accompanying notes to the basic financial statements

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – REPORTING ENTITY

Huron Township, Erie County, Ohio (the Township), is a body politic and corporate established in 1820 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Huron for fire protection and ambulance services. Police protection is provided by the Erie County Sheriff's Office.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

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

C. Jointly Governed Organization and Public Entity Risk Pool

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

Jointly Governed Organization:
The Huron Area Joint Recreation District

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

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

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major funds:

General Fund - The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fire District Fund – This fund receives the proceeds from property tax levies that are expended for providing and maintaining fire protection services within the Township.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for proceeds and subsequent disbursement of tax levy monies to the Huron Public Library.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

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

During 2006, the Township investments were limited to nonnegotiable certificates of deposit and STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$138,022 which includes \$52,642 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes consist of various taxes and grants restricted for use by the ballot language on the levy or grantor. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Designations of fund balances represent monies set aside by the Township for specified future use. The Township's designated fund balances have been set aside for future acquisition of fire equipment and land acquisition. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

L. Inter-fund Transfers

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

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There is no difference between the budgetary basis and the cash basis.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end the Township had no undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the Township's bank balance was covered by FDIC and collateral pledged by financial institutions in the name of the Township. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of December 31, 2006, the Township had the following investments:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Percent to Total</u>	<u>Maturity</u>
STAR Ohio	<u>2,597,118</u>	<u>2,597,118</u>	<u>100%</u>	Approximately 1 month.

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

NOTE 5 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 5 – PROPERTY TAXES – (CONTINUED)

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the calendar year ended December 31, 2006, was 5.14 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	238,987,780
Agriculture	4,977,720
Commercial/Industrial/Mineral	36,299,560
Public Utility Property	
Real	463,020
Personal	7,834,330
Tangible Personal Property	23,154,756
Total Assessed Value	<u>300,717,166</u>

NOTE 6 – RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed to \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – RISK MANAGEMENT – (CONTINUED)

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$34,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Township Contributions to OTARMA</u>	
2004	\$16,507
2005	\$17,970
2006	\$17,213

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9% of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.7%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations for the years ended December 31, 2006, 2005, and 2004, were \$38,850, \$38,063, and \$34,377, respectively. The full amount has been contributed for 2006, 2005, and 2004.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70% of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50% and 6.30% annually for the next 8 years. In subsequent years, health care costs were assumed to increase at 4% (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**HURON TOWNSHIP
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for 2006 which were used to fund post-employment benefits were \$12,760. The actual contribution and the actuarial required contribution amounts are the same. OPERS' net assets available for the payment of benefits at December 31, 2006 (the latest information available), was \$12 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

NOTE 9 – INTERFUND TRANSFERS

During 2006, the following transfers were made:

Transfers from the General Fund to:	
Fire Equipment Major Governmental Fund	\$ 170,000
Other Governmental Funds	100,000
Total	<u>\$ 270,000</u>

Transfers represent the contribution of receipts collected in the General fund to a reserve fund established in previous years in accordance with Ohio Revised Code § 5705.13(C) for future fire equipment purchases (\$170,000) and a land purchase (100,000).

NOTE 10 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 11 – JOINTLY GOVERNED ORGANIZATION

The Huron Area Joint Recreation District (District) is a jointly governed organization between Huron Township, the Huron City School District, and the City of Huron. The Township appoints three members to the nine-member commission. In 2006 the Township contributed \$23,850 to the District. Each entity's control is limited to its representation on the governing board. The District's continued existence is not dependent on the Township's continued participation. The District is not accumulating significant financial resources or experiencing fiscal stress that would cause additional financial benefit or burden on the Township. Financial information on the District can be obtained from Huron City School District 712 Cleveland Rd. East, Huron, Ohio 44839.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Township, Erie County, (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 13, 2008, wherein, we noted the Township prepared its financial statements on the cash basis of accounting. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 13, 2008



Mary Taylor, CPA
Auditor of State

HURON TOWNSHIP

ERIE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2008**