



Dave Yost • Auditor of State

HOWLAND TOWNSHIP
TRUMBULL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Howland Township
Trumbull County
205 Niles-Cortland Road
Warren, Ohio 44484

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Township, Trumbull County, Ohio (the Township), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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 Howland Township, Trumbull County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, Police District, and Fire District funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the Township had a prior period adjustment that affected General and Fire District fund balances. We did not modify our opinion regarding this matter.

Other Matters

Other Information

We applied no procedures to Management's Discussion & Analysis, as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 15, 2016

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

The management's discussion and analysis of Howland Township's (the "Township") financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2014, within the limitations of the Township's cash basis of accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the cash-basis basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- For 2014, the total net cash position of the Township increased \$261,504 or 16.03%.
- For 2014, general cash receipts accounted for \$7,057,654 or 83.91% of total governmental activities cash receipts and program specific cash receipts accounted for \$1,353,067 or 16.09% of total governmental activities cash receipts.
- For 2014, the Township had \$8,149,217 in cash disbursements related to governmental activities; \$1,353,067 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$7,057,654 were adequate to provide for these programs.
- The Township's major funds are the General Fund, Road and Bridge Fund, Police District Fund, and Fire District Fund. The General Fund had cash receipts and other financing receipts of \$1,598,450. The cash disbursements and other financing disbursements of the General Fund, totaled \$1,602,713. The General Fund's cash balance decreased \$4,263 from 2013, as restated in Note 3 to the basic financial statements, to 2014.
- The Road and Bridge Fund, a Township major fund, had cash receipts of \$1,175,285. The Road and Bridge Fund had cash disbursements of \$1,164,160. The Road and Bridge Fund cash balance increased \$11,125 from 2013 to 2014.
- The Police District Fund, a Township major fund, had cash receipts of \$2,074,417. The Police District Fund had cash disbursements of \$2,003,094. The Police District Fund cash balance increased \$71,323 from 2013 to 2014.
- The Fire District Fund, a Township major fund, had cash receipts of \$2,520,469. The Fire District Fund had cash disbursements of \$2,199,404. The Fire District Fund cash balance increased \$321,065 from 2013, as restated in Note 3 to the basic financial statements, to 2014.

Using this Cash Basis Basic Financial Statements (BFS)

This cash basis annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Township's cash basis of accounting. The statement of net position – cash basis and statement of activities – cash basis provide information about the activities of the whole Township, presenting an aggregate view of the Township's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Township's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Township, there are four major governmental funds.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Reporting the Township as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The statement of net position – cash basis and the statement of activities – cash basis answers the question, “How did we do financially during 2014?” These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

These two statements report the Township’s net cash position and changes in that position on a cash basis. This change in net cash position is important because it tells the reader that, for the Township as a whole, the cash basis financial position of the Township has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Township’s property tax base, current property tax laws in Ohio, availability of federal and state funding, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position – cash basis and the statement of activities – cash basis, the governmental activities include the Township’s programs and services, including police and fire protection, road and bridge maintenance and repair, and ambulance services. The statement of net position – cash basis and the statement of activities – cash basis can be found on pages 13-14 of this report.

Reporting the Township’s Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial reports provide detailed information about the Township’s major funds. The Township uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Township’s most significant funds. The Township’s major governmental funds are the General Fund, Road and Bridge Fund, Police District Fund, and the Fire District Fund. The analysis of the Township’s major governmental funds begins on page 8.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Governmental Funds

All of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Township programs. Since the Township is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 15-18 of this report.

The Township's budgetary process accounts for transactions on the budgetary basis of accounting. The difference between the budgetary basis of accounting and the cash basis of accounting is that encumbrances at year-end are recorded as a disbursement on the budgetary basis of accounting whereas on the cash basis, the disbursement is only recorded when cash is paid. The budgetary statements for the General Fund, Road and Bridge Fund, Police District Fund, and Fire District Fund are presented to demonstrate the Township's compliance with annually adopted budgets. The budgetary statements can be found on pages 19-22 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. An agency fund is the Township's only fiduciary fund type. The fiduciary fund financial statements can be found on page 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-40 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position – cash basis provides the perspective of the Township as a whole. The table below provides a summary of the Township's net cash position for 2014 and 2013.

	Net Position	
	Governmental Activities	
	2014	2013
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 1,892,995	\$ 1,631,491
Total assets	1,892,995	1,631,491
<u>Net Cash Position</u>		
Restricted	1,023,082	857,316
Unrestricted	869,913	774,175
Total net cash position	\$ 1,892,995	\$ 1,631,491

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

For fiscal year 2014, net cash position of the Township increased \$261,504 or 16.03%. The balance of government-wide unrestricted net cash position of \$869,913 at December 31, 2014 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash position for 2014 and 2013.

Change in Net Cash Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 999,526	\$ 1,066,331
Operating grants and contributions	281,875	266,492
Capital grants and contributions	<u>71,666</u>	<u>58,454</u>
Total program cash receipts	<u>1,353,067</u>	<u>1,391,277</u>
General cash receipts:		
Property and other taxes	4,830,247	4,673,372
Unrestricted grants	1,701,603	2,052,215
Tax anticipation note proceeds	257,395	-
Investment earnings	3,175	1,883
Other	<u>265,234</u>	<u>191,950</u>
Total general cash receipts	<u>7,057,654</u>	<u>6,919,420</u>
Total cash receipts	<u>8,410,721</u>	<u>8,310,697</u>
Cash Disbursements:		
General government	1,107,693	1,254,480
Public safety	4,847,101	4,768,237
Public works	1,328,068	1,870,441
Health	123,937	113,717
Human services	10,558	8,454
Conservation - recreation	-	14,889
Miscellaneous	99,518	80,374
Capital outlay	610,763	695,646
Debt service		
Principal retirement	19,722	-
Interest and fiscal charges	<u>1,857</u>	<u>-</u>
Total cash disbursements	<u>8,149,217</u>	<u>8,806,238</u>
Change in net cash position	261,504	(495,541)
Net cash position at beginning of year	<u>1,631,491</u>	<u>2,127,032</u>
Net cash position at end of year	<u>\$ 1,892,995</u>	<u>\$ 1,631,491</u>

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

Governmental Activities

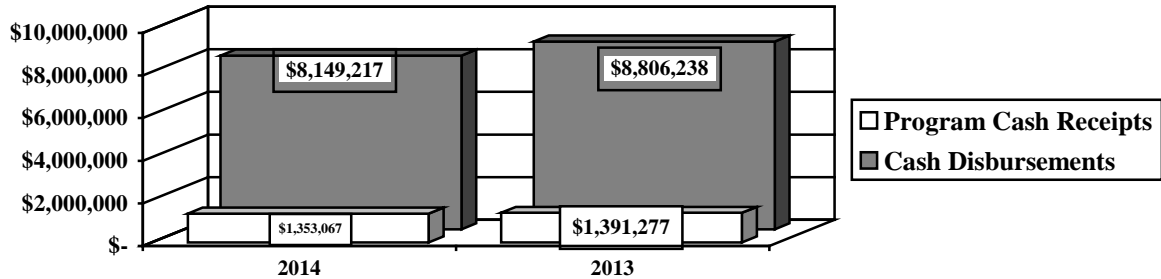
Governmental cash position increased by \$261,504 in 2014 from 2013.

General government represents activities related to the governing body as well as activities that directly support Township programs. In 2014, general government cash disbursements totaled \$1,107,693 or 13.59% of total governmental cash disbursements. General government programs were supported by \$345,379 in direct charges to users for services and \$831 in operating and contributing grants.

In 2014, the public safety programs accounted for \$4,847,101 or 59.47% of total governmental cash disbursements. Public safety programs were supported by \$613,022 in direct charges and \$71,629 in operating and contributing grants.

The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2014 and 2013. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



Governmental Activities

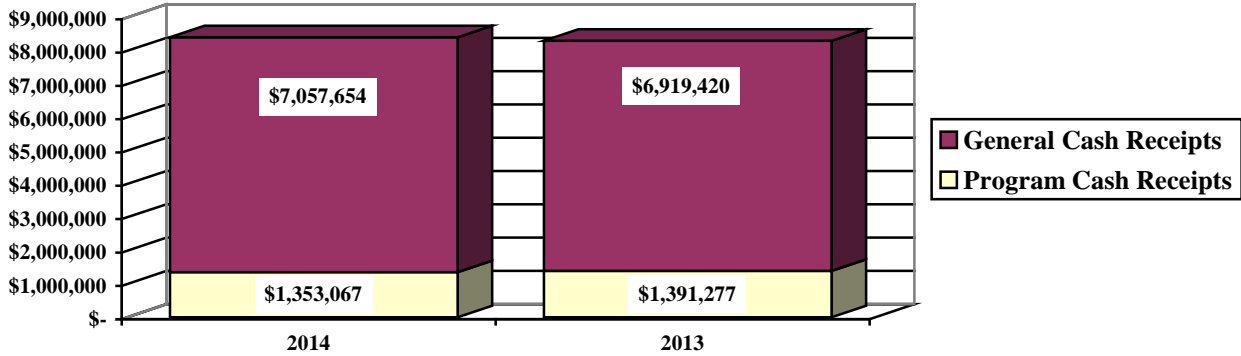
	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Cash disbursements:				
Current:				
General government	\$ 1,107,693	\$ 761,483	\$ 1,254,480	\$ 891,679
Public safety	4,847,101	4,162,450	4,768,237	4,090,974
Public works	1,328,068	1,144,122	1,870,441	1,662,087
Health	123,937	102,065	113,717	57,354
Human services	10,558	10,557	8,454	8,453
Conservation - recreation	-	-	14,889	14,889
Miscellaneous	99,518	99,518	80,374	80,374
Capital outlay	610,763	494,376	695,646	609,151
Debt service				
Principal retirement	19,722	19,722	-	-
Interest and fiscal charges	1,857	1,857	-	-
Total	<u>\$ 8,149,217</u>	<u>\$ 6,796,150</u>	<u>\$ 8,806,238</u>	<u>\$ 7,414,961</u>

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

The dependence upon general cash receipts for governmental activities is apparent; with 83.40% of cash disbursements supported through taxes and other general cash receipts during 2014.

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Township's governmental funds are accounted for using the cash basis of accounting.

At December 31, 2014, the Township's governmental funds reported a combined fund cash balance of \$1,892,995, which is \$261,504 more than last year's total of \$1,631,491. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2014, for all major and nonmajor governmental funds. Refer to Note 3 to the basic financial statements for the restatement of fund balances in the General and Fire District Fund.

	Fund Cash Balance <u>December 31, 2014</u>	Restated Fund Cash Balance <u>December 31, 2013</u>	Increase/ (Decrease)
Major Funds:			
General	\$ 867,997	\$ 872,260	\$ (4,263)
Road and Bridge	90,969	79,844	11,125
Police District	138,348	67,025	71,323
Fire District	502,208	181,143	321,065
Other Nonmajor Governmental Funds	<u>293,473</u>	<u>431,219</u>	<u>(137,746)</u>
Total	<u>\$ 1,892,995</u>	<u>\$ 1,631,491</u>	<u>\$ 261,504</u>

General Fund

The General Fund, had cash receipts and other financing receipts of \$1,598,450 and cash disbursements and other financing disbursements of \$1,602,713. The General Fund's cash balance decreased \$4,263 from 2013 as restated to 2014.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)

The table that follows assists in illustrating the cash receipts of the General Fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 513,850	\$ 517,255	(0.66) %
Intergovernmental	427,084	786,386	(45.69) %
Special assessments	4,831	6,281	(23.09) %
License, permits and fees	329,937	345,144	(4.41) %
Fines and forfeitures	10,998	12,824	(14.24) %
Investment income	3,175	1,883	68.61 %
Other	<u>128,707</u>	<u>106,646</u>	20.69 %
Total	<u>\$ 1,418,582</u>	<u>\$ 1,776,419</u>	(20.14) %

Intergovernmental income cash receipts decreased primarily due to a decrease in estate taxes. Other receipts increased primarily due to refunds and reimbursements. All other receipts remained comparable to the prior fiscal year on either a percentage basis or an immaterial dollar amount.

The table that follows assists in illustrating the cash disbursements of the General Fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
General government	\$ 1,031,734	\$ 1,184,261	(12.88) %
Public safety	92,714	57,561	61.07 %
Public works	-	510,597	(100.00) %
Health	86,767	61,374	41.37 %
Human services	10,558	8,454	24.89 %
Conservation - recreation	-	14,889	(100.00) %
Miscellaneous	99,518	80,374	23.82 %
Capital outlay	253,147	319,766	(20.83) %
Debt service:			
Principal retirement	17,418	-	100.00 %
Interest and fiscal charges	<u>1,857</u>	<u>-</u>	100.00 %
Total	<u>\$ 1,593,713</u>	<u>\$ 2,237,276</u>	(28.77) %

General government disbursements decreased primarily due to decreases in salaries for multiple departments. Public safety increased due primarily to increases in fuel disbursements and police and fire repairs. Public works decreased due to no disbursements for road and highway paving in 2014. Health disbursements increased in 2014 due to increases in general health district and land utilization disbursements. Conservation - recreation decreased in 2014 due to more disbursements relating to wetlands in 2013. Miscellaneous disbursements increased due to increases in postal salaries and insurance and road and highway materials and supplies. Capital outlay decreased due to fewer equipment purchases and replacements primarily relating to the fire department. Debt service disbursements increased due to payments for tax anticipation notes the Township entered into during 2014.

HOWLAND TOWNSHIP, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(UNAUDITED)**

Road and Bridge Fund

The Road and Bridge Fund, a Township major fund, had cash receipts of \$1,175,285 in 2014. Cash disbursements in this fund were \$1,164,160 in 2014. The Road and Bridge Fund cash balance increased \$11,125 from 2013 to 2014.

Police District Fund

The Police District Fund, a Township major fund, had cash receipts of \$2,074,417 in 2014. Cash disbursements in this fund were \$2,003,094 in 2014. The Police District Fund cash balance increased \$71,323 from 2013 to 2014.

Fire District Fund

The Fire District Fund, a Township major fund, had cash receipts of \$2,520,969 in 2014. Cash disbursements in this fund were \$2,199,404 in 2014. The Fire District Fund cash balance increased \$321,065 from 2013 as restated to 2014.

Budgeting Highlights - General Fund

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

For 2014, original and final budget estimated resources were \$1,197,969 for the General Fund. Actual cash receipts and other financing sources of \$1,598,450 were more than final budget estimates by \$400,481. The original and final budgetary basis disbursements and other financing disbursements were \$2,070,088. The actual budgetary basis disbursements and other financing disbursements of \$1,995,236 were \$74,852 more than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Township had capital outlay disbursements of \$610,763 during 2014.

Debt Administration

The Township had the following debt outstanding at December 31, 2014:

	Governmental Activities <u>2014</u>
Ohio Public Works Commission (OPWC) loan	\$ 89,855
Tax anticipation notes	<u>162,450</u>
Total long-term obligations	<u>\$ 252,305</u>

See Note 6 for more information on the Township's debt.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014 (UNAUDITED)

Current Financial Related Activities

Howland Township has felt a loss of tax revenue due to the loss of manufacturing plants. With the loss of plants come the loss of jobs and the rise of delinquent taxes. The county auditor's estimated revenue and actual receipts are down due to delinquent taxes. Also, with the reduction in Tangible Personal Property Tax and Undivided Local Government, the loss of revenue is ongoing. Another loss is the inheritance tax that is always unexpected income and allows the Township to provide paving projects, equipment, etc.

The future of the Township will be based on the current Delphi bankruptcy which employs 3,000 people and generates a large part of the tax revenue for the Township. The Township, along with the employees are always looking for ways to save money through health insurance costs, group programs, and finding grants.

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 show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Costello, Fiscal Officer, Howland Township, 205 Niles-Cortland Rd. NE, Warren, Ohio 44484.

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HOWLAND TOWNSHIP, OHIO

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,892,995
Total assets	1,892,995
Net cash position:	
Restricted for:	
Public safety	805,934
Public works	90,969
Health and human services	38,758
Street maintenance and construction	66,366
Capital projects	21,055
Unrestricted	869,913
Total net cash position	\$ 1,892,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HOWLAND TOWNSHIP, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Cash Receipts				Net (Cash Disbursements)
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Cash Receipts and Changes in Net Position
Governmental activities:					Governmental Activities
Current:					
General government	\$ 1,107,693	\$ 345,379	\$ 831	\$ -	\$ (761,483)
Public safety	4,847,101	613,022	71,629	-	(4,162,450)
Public works	1,328,068	4,831	179,115	-	(1,144,122)
Health	123,937	6,915	14,957	-	(102,065)
Human services	10,558	-	1	-	(10,557)
Miscellaneous	99,518	-	-	-	(99,518)
Capital outlay	610,763	29,379	15,342	71,666	(494,376)
Debt service:					
Principal retirement	19,722	-	-	-	(19,722)
Interest and fiscal charges	1,857	-	-	-	(1,857)
Total governmental activities	\$ 8,149,217	\$ 999,526	\$ 281,875	\$ 71,666	(6,796,150)

General cash receipts:

Property and other taxes levied for:

General purposes	513,850
Road and bridge improvements	899,247
Public safety - police district	1,528,726
Public safety - fire district	1,888,424
Grants and entitlements not restricted to specific programs	1,701,603
Tax anticipation note proceeds	257,395
Investment receipts	3,175
Miscellaneous	265,234
Total general cash receipts	7,057,654
Change in net cash position	261,504
Net cash position at beginning of year	1,631,491
Net cash position at end of year	\$ 1,892,995

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>General</u>	<u>Road and Bridge</u>	<u>Police District</u>	<u>Fire District</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 867,997	\$ 90,969	\$ 138,348	\$ 502,208
Total assets	<u>\$ 867,997</u>	<u>\$ 90,969</u>	<u>\$ 138,348</u>	<u>\$ 502,208</u>
Fund cash balances:				
Restricted:				
Public safety	\$ -	\$ -	\$ 138,348	\$ 502,208
Public works	-	90,969	-	-
Health and human services	-	-	-	-
Street maintenance and construction	-	-	-	-
Capital projects	-	-	-	-
Committed:				
Health and human services	-	-	-	-
Assigned:				
Encumbrances - general government	11,305	-	-	-
Encumbrances - public safety	488	-	-	-
Encumbrances - public works	380,730	-	-	-
Encumbrances - subsequent year appropriations	<u>475,474</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund cash balances	<u>\$ 867,997</u>	<u>\$ 90,969</u>	<u>\$ 138,348</u>	<u>\$ 502,208</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 293,473	\$ 1,892,995
<u>\$ 293,473</u>	<u>\$ 1,892,995</u>
\$ 165,378	\$ 805,934
-	90,969
38,758	38,758
66,366	66,366
21,055	21,055
1,916	1,916
-	11,305
-	488
-	380,730
-	475,474
<u>\$ 293,473</u>	<u>\$ 1,892,995</u>

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>General</u>	<u>Road and Bridge</u>	<u>Police District</u>	<u>Fire District</u>
Cash receipts:				
Taxes	\$ 513,850	\$ 899,247	\$ 1,528,726	\$ 1,888,424
Intergovernmental	427,084	260,255	471,555	599,719
Special assessments	4,831	-	-	-
Charges for services	-	-	-	-
License, permits and fees	329,937	-	-	-
Fines, forfeitures and penalties	10,998	-	125	-
Interest	3,175	-	-	-
Contributions and donations	-	-	-	600
Miscellaneous	128,707	15,783	74,011	31,726
Total cash receipts	<u>1,418,582</u>	<u>1,175,285</u>	<u>2,074,417</u>	<u>2,520,469</u>
Cash disbursements:				
Current:				
General government	1,031,734	-	31,547	38,970
Public safety	92,714	-	1,967,991	2,084,236
Public works	-	1,159,587	-	-
Health	86,767	-	-	-
Human services	10,558	-	-	-
Miscellaneous	99,518	-	-	-
Capital outlay	253,147	4,573	3,556	76,198
Debt service:				
Principal retirement	17,418	-	-	-
Interest and fiscal charges	1,857	-	-	-
Total cash disbursements	<u>1,593,713</u>	<u>1,164,160</u>	<u>2,003,094</u>	<u>2,199,404</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(175,131)</u>	<u>11,125</u>	<u>71,323</u>	<u>321,065</u>
Other financing receipts (disbursements):				
Tax anticipation note proceeds	179,868	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(9,000)	-	-	-
Total other financing receipts (disbursements)	<u>170,868</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	(4,263)	11,125	71,323	321,065
Fund cash balances				
at beginning of year (restated)	872,260	79,844	67,025	181,143
Fund cash balances at end of year	<u>\$ 867,997</u>	<u>\$ 90,969</u>	<u>\$ 138,348</u>	<u>\$ 502,208</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 4,830,247
295,930	2,054,543
-	4,831
623,931	623,931
28,941	358,878
763	11,886
1	3,176
-	600
15,007	265,234
<u>964,573</u>	<u>8,153,326</u>
5,442	1,107,693
702,160	4,847,101
168,481	1,328,068
37,170	123,937
-	10,558
-	99,518
273,289	610,763
2,304	19,722
-	1,857
<u>1,188,846</u>	<u>8,149,217</u>
<u>(224,273)</u>	<u>4,109</u>
77,527	257,395
9,000	9,000
-	(9,000)
<u>86,527</u>	<u>257,395</u>
(137,746)	261,504
431,219	1,631,491
<u>\$ 293,473</u>	<u>\$ 1,892,995</u>

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 523,534	\$ 523,534	\$ 513,850	\$ (9,684)
Intergovernmental	320,435	320,435	427,084	106,649
Special assessments	-	-	4,831	4,831
License, permits and fees	327,750	327,750	329,937	2,187
Fines, forfeitures and penalties.	-	-	10,998	10,998
Interest.	-	-	3,175	3,175
Miscellaneous	26,250	26,250	128,707	102,457
Total budgetary basis receipts.	<u>1,197,969</u>	<u>1,197,969</u>	<u>1,418,582</u>	<u>220,613</u>
Budgetary basis disbursements:				
Current:				
General government	1,119,947	1,138,032	1,043,039	94,993
Public safety	116,431	116,431	93,202	23,229
Public works	350,730	380,730	380,730	-
Health	82,670	86,790	86,767	23
Human services	9,000	14,000	10,558	3,442
Miscellaneous	82,500	108,000	99,518	8,482
Capital outlay	212,091	13,379	253,147	(239,768)
Debt service:				
Principal retirement	17,418	17,418	17,418	-
Interest and fiscal charges	1,857	1,857	1,857	-
Total budgetary basis disbursements	<u>1,992,644</u>	<u>1,876,637</u>	<u>1,986,236</u>	<u>(109,599)</u>
Excess of budgetary basis expenditures over budgetary basis receipts	<u>(794,675)</u>	<u>(678,668)</u>	<u>(567,654)</u>	<u>111,014</u>
Other financing sources (uses):				
Tax anticipation note proceeds	-	-	179,868	179,868
Transfers (out).	<u>(77,444)</u>	<u>(84,451)</u>	<u>(9,000)</u>	<u>75,451</u>
Total other financing sources (uses)	<u>(77,444)</u>	<u>(84,451)</u>	<u>170,868</u>	<u>255,319</u>
Net change in fund cash balance	(872,119)	(763,119)	(396,786)	366,333
Fund cash balance at beginning of year	835,253	835,253	835,253	-
Prior year encumbrances appropriated	37,007	37,007	37,007	-
Fund cash balance at end of year	<u>\$ 141</u>	<u>\$ 109,141</u>	<u>\$ 475,474</u>	<u>\$ 366,333</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 854,463	\$ 881,135	\$ 899,247	\$ 18,112
Intergovernmental	268,358	276,686	260,255	(16,431)
Miscellaneous	-	-	15,783	15,783
Total budgetary basis receipts	<u>1,122,821</u>	<u>1,157,821</u>	<u>1,175,285</u>	<u>17,464</u>
Budgetary basis disbursements:				
Current:				
Public works	1,159,253	1,194,253	1,160,687	33,566
Capital outlay	43,412	43,412	12,948	30,464
Total budgetary basis disbursements.	<u>1,202,665</u>	<u>1,237,665</u>	<u>1,173,635</u>	<u>64,030</u>
Net change in fund cash balance	(79,844)	(79,844)	1,650	81,494
Fund cash balance at beginning of year	74,650	74,650	74,650	-
Prior year encumbrances appropriated	<u>5,194</u>	<u>5,194</u>	<u>5,194</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,494</u>	<u>\$ 81,494</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
POLICE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 1,441,929	\$ 1,441,929	\$ 1,528,726	\$ 86,797
Intergovernmental	483,015	483,015	471,555	(11,460)
Fines, forfeitures and penalties	-	-	125	125
Miscellaneous	30,000	30,000	74,011	44,011
Total budgetary basis receipts	<u>1,954,944</u>	<u>1,954,944</u>	<u>2,074,417</u>	<u>119,473</u>
Budgetary basis disbursements:				
Current:				
General government	28,800	28,800	31,547	(2,747)
Public safety	1,986,169	1,986,169	1,967,991	18,178
Capital outlay	7,000	7,000	3,556	3,444
Total budgetary basis disbursements	<u>2,021,969</u>	<u>2,021,969</u>	<u>2,003,094</u>	<u>18,875</u>
Net change in fund cash balance	(67,025)	(67,025)	71,323	138,348
Fund cash balance at beginning of year	66,845	66,845	66,845	-
Prior year encumbrances appropriated	<u>180</u>	<u>180</u>	<u>180</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,348</u>	<u>\$ 138,348</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 1,777,383	\$ 1,807,372	\$ 1,888,424	\$ 81,052
Intergovernmental	593,690	603,651	599,719	(3,932)
Contributions and donations	-	-	600	600
Miscellaneous	3,000	3,050	31,726	28,676
Total budgetary basis receipts	<u>2,374,073</u>	<u>2,414,073</u>	<u>2,520,469</u>	<u>106,396</u>
Budgetary basis disbursements:				
Current:				
General government	40,000	40,000	38,970	1,030
Public safety	2,302,699	2,302,699	2,087,285	215,414
Capital outlay	212,517	252,517	103,298	149,219
Total budgetary basis disbursements	<u>2,555,216</u>	<u>2,595,216</u>	<u>2,229,553</u>	<u>365,663</u>
Net change in fund cash balance	(181,143)	(181,143)	290,916	472,059
Fund cash balance at beginning of year	166,270	166,270	166,270	-
Prior year encumbrances appropriated	<u>14,873</u>	<u>14,873</u>	<u>14,873</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,059</u>	<u>\$ 472,059</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2014

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 8,400
Total assets	<u>\$ 8,400</u>
Liabilities:	
Deposits held and due to others	\$ 8,400
Total liabilities	<u>\$ 8,400</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF THE TOWNSHIP

Howland Township, Trumbull County, Ohio (the "Township") is a body politic and corporate established for the purpose of exercising 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 provides the following services: police and fire protection, road and bridge maintenance, cemetery maintenance and emergency medical services as well as general governmental services.

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

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). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. 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 position 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 position 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 position presents the cash balance 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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 three categories, governmental, proprietary and fiduciary. The Township has no proprietary funds.

Governmental Funds - The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Township major governmental funds:

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

Road and Bridge - This fund accounts for tax and grant receipts and their use as they pertain to the Township's roads.

Police District - This fund accounts for revenues collected for police operations.

Fire District - This fund accounts for revenues collected for fire operations.

Other governmental funds of the Township are used to account for charges for services and disbursements for ambulance and emergency medical services, grants and other resources, and capital projects whose use is restricted to a particular purpose.

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 does not have any trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The agency fund accounts for insurance proceeds held for fire damage claims.

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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds other than 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.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township 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 certificate 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 Cash Equivalents

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 of the cash management pool and investments with an original maturity of three months or less at the time of purchase 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 (contra revenue), respectively.

During 2014, the Township invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2014.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 2014 were \$3,175 which includes \$1,652 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have any restricted assets at December 31, 2014.

G. 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.

H. Capital Assets

The acquisitions of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

I. 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.

J. 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.

K. Long-term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Position

Net position is 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Township first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

M. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the Board of Trustees, which includes giving the Fiscal Officer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as another financing receipt (disbursement) in the governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Prior Period Adjustment

A prior period adjustment was made at December 31, 2013, to move \$100,000 in disbursements for the purchase of a fire truck from the general fund to the fire district special revenue fund. The general fund made the disbursement in 2013; however, in 2014 it was determined that the fire district special revenue would have sufficient receipts to cover the purchase. The Township's fund cash balances have been restated as follows:

	General	Road and Bridge	Police District	Fire District	Other Governmental Funds	Total
Fund cash balance						
at December 31, 2013	\$ 772,260	\$ 79,844	\$ 67,025	\$ 281,143	\$ 431,219	\$ 1,631,491
Prior period adjustment	100,000	-	-	(100,000)	-	-
Adjusted fund cash balance						
at December 31, 2013	<u>\$ 872,260</u>	<u>\$ 79,844</u>	<u>\$ 67,025</u>	<u>\$ 181,143</u>	<u>\$ 431,219</u>	<u>\$ 1,631,491</u>

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 Township has 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Township by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At December 31, 2014, the carrying amount of all Township deposits was \$1,895,017. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of December 31, 2014, \$1,350,416 of the Township’s bank balance of \$2,104,282 was exposed to custodial risk as discussed below, while \$753,866 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Township’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township. The Township has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all 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.

B. Investments

As of December 31, 2014, the Township had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 6,378	\$ 6,378

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Township’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The Township places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Township at December 31, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 6,378	100.00

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of net position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of financial position as of December 31, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,895,017
Investments	<u>6,378</u>
Total	<u>\$ 1,901,395</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 1,892,995
Agency fund	<u>8,400</u>
Total	<u>\$ 1,901,395</u>

NOTE 5 - PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the Township. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2014 public utility property taxes became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 5 - PROPERTY TAX - (Continued)

The full tax rate for all Township operations for the year ended December 31, 2014 was \$13.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2014 property tax receipts were based are as follows:

	<u>2014</u>
<u>Real Property</u>	
Residential/agricultural	\$ 307,943,630
Commercial/industrial/mineral	84,642,190
<u>Public Utility</u>	
Real	235,060
Personal	<u>7,948,100</u>
Total assessed valuation	<u><u>\$400,768,980</u></u>

NOTE 6 - DEBT OBLIGATIONS

Transactions for the year ended December 31, 2014 are summarized as follows:

<u>Description</u>	<u>Balance</u> <u>December 31, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>December 31, 2014</u>
Ohio Public Works Commission (OPWC) loan	\$ 14,632	\$ 77,527	\$ (2,304)	\$ 89,855
Ambulance tax anticipation notes	<u>-</u>	<u>179,868</u>	<u>(17,418)</u>	<u>162,450</u>
Total	<u>\$ 14,632</u>	<u>\$ 257,395</u>	<u>\$ (19,722)</u>	<u>\$ 252,305</u>

The OPWC loan was issued in fiscal years 2013 and 2014 to fund the Township's culvert replacement project. The OPWC loan is a 20 year, interest free loan. Principal payments were paid from the culvert replacement capital projects fund in fiscal year 2014.

The ambulance tax anticipation notes were issued on March 31, 2014 and July 30, 2014 for the purchase of two ambulances. The tax anticipation notes are for a term of 5 years and carry interest rates of 2.8% and 2.5%, respectively. The tax anticipation notes will be repaid from the general fund's yearly lodging tax receipts.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 6 - DEBT OBLIGATIONS - (Continued)

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2014, are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Loans</u> <u>Interest</u>	<u>Total</u>
2015	\$ 39,055	\$ 4,103	\$ 43,158
2016	39,971	3,188	43,159
2017	40,929	2,229	43,158
2018	41,905	1,254	43,159
2019	23,629	253	23,882
2020 - 2024	23,040	-	23,040
2025 - 2029	23,040	-	23,040
2030 - 2034	<u>20,736</u>	<u>-</u>	<u>20,736</u>
Total	<u>\$ 252,305</u>	<u>\$ 11,027</u>	<u>\$ 263,332</u>

Under the cash basis of accounting, debt obligations at year end are not reported on the financial statements.

NOTE 7 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension 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% 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. 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 Pension 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 Pension and the 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 which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. The 2014 member contribution rates were 10.00% for members. The Township's contribution rate for 2014 was 14.00% of covered payroll.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 7 - PENSION PLANS - (Continued)

The Township's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$319,380, \$334,838, and \$263,115, respectively; 91.82% has been contributed for 2014 and 100% has been contributed for 2013 and 2012. Contributions to the Member-Directed Plan for 2014 were \$3,243 made by the Township and \$2,317 made by the plan members.

B. Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.50% of their annual covered salary. Throughout 2014, the Township was required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute.

For 2014, the portion of the Township's contributions to fund pension obligations was 19.00% for police officers and 23.50% for firefighters. The Township's required contributions for pension obligations to OP&F for firefighters was \$308,555 for the year ended December 31, 2014, \$268,533 for the year ended December 31, 2013, and \$230,119 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.47% has been contributed for firefighters for 2014.

NOTE 8 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$45,936, \$22,537, and \$89,031, respectively; 91.82% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the OP&F Pension Fund sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

NOTE 8 - POSTRETIREMENT BENEFIT PLANS - (Continued)

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2014, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F which were allocated to fund post-employment healthcare benefits for firefighters was \$6,565 for the year ended December 31, 2014, \$47,646 for the year ended December 31, 2013, and \$90,047 for the year ended December 31, 2012. 100% has been contributed for 2013 and 2012. 91.47% has been contributed for firefighters for 2014.

NOTE 9 - RISK MANAGEMENT

Risk Pool Membership

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 9 - 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 \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 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 the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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 township.

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 net position at December 31, 2013 and 2014:

	<u>2013</u>		<u>2014</u>
Assets	\$ 34,954,286	\$	35,970,263
Liabilities	8,486,363		8,912,432
Net Position	<u>\$ 26,467,923</u>	\$	<u>27,057,831</u>

At December 31, 2013 and 2012, respectively, liabilities noted above include approximately \$8.5 million and \$9.4 million of estimated incurred claims payable. The assets and net position above also include approximately \$7.9 million and \$8.6 million of unpaid claims to be billed to 944 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$61,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 9 - RISK MANAGEMENT - (Continued)

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
2014	\$62,010
2013	\$61,361
2012	\$60,395

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

NOTE 10 - CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

NOTE 11 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2014, consisted of the following as reported on the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds \$ 9,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

Interfund transactions between governmental funds are eliminated for reporting in the statement of activities.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

NOTE 12 - 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 cash receipts, cash disbursements and changes in fund cash balance - budget and actual (budgetary basis) presented for the general fund, road and bridge fund, police district fund and fire district fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as assigned or restricted fund balance (cash basis). At December 31, 2014, the encumbrances outstanding at year end (budgetary basis) amounted to \$392,523 for the general fund, \$9,475 for the road and bridge fund, and \$30,149 for the fire district fund.

NOTE 13 – BUDGETARY NONCOMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund for the year ended 2014.

NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the Township has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the Township.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Township.

NOTE 15 - OTHER COMMITMENTS

The Township utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the Township's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 392,523
Road and bridge	9,475
Fire district	30,149
Other governmental funds	<u>37,240</u>
Total	<u>\$ 469,387</u>

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Dave Yost • Auditor of State

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

Howland Township
Trumbull County
205 Niles-Cortland Road
Warren, Ohio 44484

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 cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Township, Trumbull County, Ohio (the Township), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 15, 2016, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles. We also noted beginning fund balances for the General Fund and Fire District Fund were restated.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2014-002 and 2014-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-003 described in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-001 and 2014-005.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 15, 2016

**HOWLAND TOWNSHIP
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014**

1. ODOT Project Grant Accounting

<i>Finding Number</i>	2014-001
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NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Auditor of State Bulletin 2000-008 provides guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an on-behalf program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

There are also several budgetary compliance requirements associated with the recording of such program receipts and disbursements:

- Ohio Rev. Code Section 5705.09(F) requires the legislative authority to establish a special fund for each grant to account for the grant or project objectives.
- Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant or project, based on the expected cash disbursements to be made on the local government's behalf in the current fiscal year in accordance with Ohio Rev. Code Section 5705.36(A)(3).
- Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making disbursements unless they have been properly appropriated; therefore, appropriations should be recorded in accordance with the terms and conditions of the grant or project agreement. Ohio Rev. Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure prior to recording the appropriations.

During 2014, the Township was the beneficiary of Ohio Department of Transportation (ODOT) monies that were paid directly to the vendors by ODOT. On behalf of the Township, ODOT paid the vendors \$97,016. The Township did not have procedures in place to record the receipt and disbursement transactions relating to these ODOT on-behalf-of payments nor did they amend their estimated resources and appropriations to properly budget for the expected grant receipts and disbursements. The Township's financial statements were adjusted to reflect these transactions.

When approved for funding by a State or Federal agency, the Township should follow the reporting requirements summarized by Auditor of State Bulletin 2000-008, as well as applicable budgetary requirements of the Ohio Revised Code. When the Township receives notice that funds will be expended on its behalf, the Township should certify the available resources to the County Budget Commission and amend appropriations to account for the expected grant receipts and disbursements.

2. Debt Activity Not Properly Posted

<i>Finding Number</i>	2014-002
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MATERIAL WEAKNESS

Ohio Administrative Code 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

In 2014, the Township issued tax anticipation notes, totaling \$179,868, for the purpose of purchasing two ambulances. The banks paid the note proceeds directly to the ambulance vendor on behalf of the Township. The Township did not have procedures in place to record the note proceeds or the related capital outlay disbursement in their accounting system. In addition, the Township made debt payments totaling \$19,275 related to the ambulance tax anticipation notes. However, the payments were improperly posted and reported as capital outlay disbursements instead of principal and interest disbursements in its accounting system.

The financial statements were adjusted accordingly.

The Township should account for all debt issuances, including on-behalf payments, in the accounting system. The Township should post debt payments to the proper disbursement account codes to reflect payment of principal and interest according to the amortization schedule or billed amount.

3. Correction of Prior Period Disbursement

<i>Finding Number</i>	2014-003
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SIGNIFICANT DEFICIENCY

In 2013, the Township purchased a fire truck in the amount of \$484,503, with \$261,903 paid from the General Fund and \$222,600 paid from the Fire District Fund. In 2014, the Township determined their Fire District Fund revenue would be more than anticipated, so the Township decided to allocate \$100,000 more of the fire truck purchase to the Fire District Fund and \$100,000 less to the General Fund. Therefore, the Township made a correcting entry in the accounting system in 2014 to void the 2013 original disbursements and re-allocate the new amounts, with \$161,903 paid from the General Fund and \$322,600 paid from the Fire District Fund.

This entry caused an understatement of 2014 disbursements in the General Fund and a corresponding overstatement of 2014 disbursements in the Fire District Fund in the amount of \$100,000. In order to correct for this transaction on the financial statements, the Township recorded adjusting entries on the trial balances to the General Fund Miscellaneous Receipts and Capital Outlay accounts. The combination of accounting system and trial balance posting corrections caused an overstatement of General Fund Miscellaneous Receipts and Fire District Fund Capital Outlay Disbursements in the amount of \$100,000 on the financial statements.

**Finding Number 2014-003
 (Continued)**

Proper accounting would have been to reduce the initial disbursement amounts posted in the originating funds, and then post disbursements in the funds in which the obligation belongs.

These errors have been corrected by the Township by making a prior period adjustment to the 2014 beginning fund balances of the General and Fire District funds to increase and decrease them by \$100,000, respectively.

The Township should consider using beginning fund balance adjustments for corrections of prior period disbursements that would have a significant effect on cash fund balances.

4. Budget Versus Actual Financial Statements

<i>Finding Number</i>	2014-004
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MATERIAL WEAKNESS

Ohio Administrative Code Chapter 117-2-01 provides that all public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. "Internal control" means a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives over the reliability of financial reporting.

The Township did not have procedures in place to help ensure the budget versus actual financial statements accurately reflected budget and actual balances. General Fund budgetary basis disbursement balances in the original budgeted, final budgeted, and actual disbursement columns were misstated. The Township has adjusted their financial statements accordingly.

The Township should review the draft financial statements to help ensure all amounts are properly recorded and classified.

5. Expenditures Exceeded Appropriations

<i>Finding Number</i>	2014-005
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NONCOMPLIANCE

Ohio Rev. Code § 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2014, actual disbursements exceeded appropriations in the General Fund Capital Outlay account in the amount of \$239,768 and in the Police District Fund General Government account in the amount of \$2,747.

The Township should monitor and amend their budget to help ensure disbursements do not exceed appropriations at the legal level of control.

Official's Responses: The Township did not provide responses.



Dave Yost • Auditor of State

HOWLAND TOWNSHIP

TRUMBULL 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
OCTOBER 25, 2016**