



**HOWARD TOWNSHIP
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Howard Township
Knox County
21599 Coshocton Road
Howard, Ohio 43028

We have audited the accompanying financial statements of Howard Township, Knox County, Ohio, (the Township) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Howard Township, Knox County, Ohio, as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2000 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 grants.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 10, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$27,425	\$222,176	\$8,615	\$258,216
Intergovernmental	119,386	111,090	0	230,476
Special Assessments	0	2,190	0	2,190
Licenses, Permits, and Fees	20,177	0	0	20,177
Earnings on Investments	2,357	780	0	3,137
Other Revenue	7,355	129	0	7,484
	<u>176,700</u>	<u>336,365</u>	<u>8,615</u>	<u>521,680</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	113,729	0	0	113,729
Public Safety	0	85,659	0	85,659
Public Works	131	215,101	0	215,232
Health	4,867	0	0	4,867
Debt Service:				
Redemption of Principal	0	0	6,797	6,797
Interest and Fiscal Charges	0	0	1,772	1,772
	<u>118,727</u>	<u>300,760</u>	<u>8,569</u>	<u>428,056</u>
Total Cash Disbursements				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	57,973	35,605	46	93,624
Fund Cash Balances, January 1, 1999	<u>22,503</u>	<u>101,555</u>	<u>46</u>	<u>124,104</u>
Fund Cash Balances, December 31, 1999	<u>\$80,476</u>	<u>\$137,160</u>	<u>\$92</u>	<u>\$217,728</u>
Reserve for Encumbrances, December 31, 1999	<u>\$1,156</u>	<u>\$1,286</u>	<u>\$0</u>	<u>\$2,442</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$34,526	\$205,295	\$7,143	\$246,964
Intergovernmental	65,275	129,539	0	194,814
Special Assessments	0	2,058	0	2,058
Licenses, Permits, and Fees	19,406	0	0	19,406
Earnings on Investments	1,408	715	0	2,123
Other Revenue	11,515	7,594	0	19,109
Total Cash Receipts	132,130	345,201	7,143	484,474
Cash Disbursements:				
Current:				
General Government	102,219	0	0	102,219
Public Safety	0	85,926	0	85,926
Public Works	592	198,380	0	198,972
Health	4,781	0	0	4,781
Debt Service:				
Redemption of Principal	6,797	0	6,797	13,594
Interest and Fiscal Charges	1,296	0	821	2,117
Total Cash Disbursements	115,685	284,306	7,618	407,609
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	16,445	60,895	(475)	76,865
Fund Cash Balances, January 1, 1998	6,058	40,660	521	47,239
Fund Cash Balances, December 31, 1998	<u>\$22,503</u>	<u>\$101,555</u>	<u>\$46</u>	<u>\$124,104</u>
Reserve for Encumbrances, December 31, 1998	<u>\$1,655</u>	<u>\$8,328</u>	<u>\$0</u>	<u>\$9,983</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Howard Township, Knox County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, street light, and fire protection. The Township contracts with the Village of Danville to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining, and repairing Township roads.

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

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

Fire District Fund- This fund receives tax money levied for the purpose of providing fire protection services to Township residents.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives tax money and is used to accumulate resources for the payment of note indebtedness.

D. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

2. CORRECTION OF ERROR AND FUND RECLASSIFICATION

During 1997, funds were recorded in the Debt Service Fund in error. As a result, December 31, 1997 fund balances were adjusted as follows:

Road and Bridge Fund:	
Fund Balance December 31, 1997 as reported	\$ 6,234
Adjustment	<u>7,188</u>
Adjusted December 31, 1997 Fund Balance	<u>\$13,422</u>
Debt Service Fund:	
Fund Balance December 31, 1997 as reported	\$ 7,709
Adjustment	<u>(7,188)</u>
Adjusted December 31, 1997 Fund Balance	<u>\$ 521</u>

In addition, a Special Assessment Fund was reclassified to the Special Revenue Fund Types on December 31, 1997. The reclassification is as follows:

Special Assessment Fund Balance December 31, 1997 as reported	\$ 3,563
Reclassification	<u>(3,563)</u>
Adjusted December 31, 1997 Fund Balance	<u>\$ 0</u>
Special Revenue Fund Balance December 31, 1997 as reported	\$ 29,909
Plus the correction of error from above	<u>7,188</u>
Adjusted Special Revenue Fund Balance at December 31, 1997	\$ 37,097
Reclassification	<u>3,563</u>
Adjusted December 31, 1997 Fund Balance	<u>\$ 40,660</u>

3. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	<u>\$217,728</u>	<u>\$124,104</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 follows:

1999 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$114,809	\$176,700	\$61,891
Special Revenue	378,887	336,365	(42,522)
Debt Service	<u>8,615</u>	<u>8,615</u>	<u>0</u>
Total	<u>\$502,311</u>	<u>\$521,680</u>	<u>\$19,369</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY (continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$141,508	\$119,883	\$21,625
Special Revenue	487,334	302,046	185,288
Debt Service	<u>8,661</u>	<u>8,569</u>	<u>92</u>
Total	<u>\$637,503</u>	<u>\$430,498</u>	<u>\$207,005</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$109,891	\$132,130	\$22,239
Special Revenue	344,185	345,201	1,016
Debt Service	<u>7,143</u>	<u>7,143</u>	<u>0</u>
Total	<u>\$461,219</u>	<u>\$484,474</u>	<u>\$23,255</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$123,592	\$117,340	\$6,252
Special Revenue	377,650	292,634	85,016
Debt Service	<u>7,664</u>	<u>7,618</u>	<u>46</u>
Total	<u>\$508,906</u>	<u>\$417,592</u>	<u>\$91,314</u>

5. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Notes	<u>\$6,797</u>	6.9%

In 1996, the Board of Trustees authorized notes totaling \$33,987 to purchase a Ford F-350 Chassis/Cab truck. The remaining principal, including interest, on the notes is as follows:

<u>Year ending December 31:</u>	<u>General Obligation Notes</u>
2000	<u>\$9,045</u>
Total	<u>\$9,045</u>

7. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks from the Ohio Township association Risk Management Authority:

- General liability
- Comprehensive property
- Vehicles
- Official's liability

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Howard Township
Knox County
21599 Coshocton Road
Howard, Ohio 43028

To the Board of Trustees:

We have audited the accompanying financial statements of Howard Township, Knox County, Ohio (the Township), as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 10, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 10, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of finding as item 1999-40642-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 10, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

March 10, 2000

**SCHEDULE OF FINDING
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-40642-001

Bank Reconciliations

Many errors in posting receipts and disbursements were noted in the Township's records. These errors were not tracked or followed up on in a timely manner by the Clerk. As a result, the Clerk could not reconcile the depository balances with the cashbook balances. At December 31, 1999, the reconciled bank balance was \$217,728 and the book balance was \$219,931.

Bank reconciliations should be prepared monthly. Variances, if any, between the bank and book should be investigated and corrected immediately. Corrected bank reconciliations should then be presented to the Board of Trustees for their review and approval.

Audit adjustments were made by the Clerk to bring the cashbook totals in balance with the reconciled depository balance.



STATE OF OHIO
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HOWARD TOWNSHIP

KNOX 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
APRIL 18, 2000**