



OHIO AUDITOR OF STATE
KEITH FABER



HOWLAND TOWNSHIP
TRUMBULL COUNTY
DECEMBER 31, 2018

TABLE OF CONTENTS

| TITLE | PAGE |
|--|------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Management's Discussion and Analysis | 3 |
| Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position – Cash Basis | 13 |
| Statement of Activities – Cash Basis | 14 |
| Fund Financial Statements: | |
| Statement of Assets and Fund Cash Balances - Governmental Funds | 16 |
| Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – Governmental Funds | 18 |
| Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) | |
| General Fund..... | 20 |
| Road and Bridge Fund | 21 |
| Police District Fund..... | 22 |
| Fire District Fund | 23 |
| Statement of Fiduciary Assets and Liabilities | |
| Fiduciary Fund..... | 24 |
| Notes to the Basic Financial Statements | 25 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 47 |
| Schedule of Findings..... | 49 |

This page intentionally left blank.



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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, 2018, 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 modified 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 the Howland Township, Trumbull County, Ohio, as of December 31, 2018, 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.

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 them

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2020

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 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 2018 are as follows:

- Net cash position of the Township increased \$464,933 or 30.98%.
- General cash receipts accounted for \$6,994,339 or 76.77% of total governmental activities cash receipts and program specific cash receipts accounted for \$2,116,297 or 23.23% of total governmental activities cash receipts.
- The Township had \$8,645,703 in cash disbursements related to governmental activities; \$2,116,297 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$6,994,339 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 of \$1,460,555 and cash disbursements of \$1,313,364. The General Fund's cash balance increased \$147,191 during 2018.
- The Road and Bridge Fund, a Township major fund, had cash receipts of \$1,703,304 and cash disbursements of \$1,485,754. The Road and Bridge Fund cash balance increased \$217,550 during 2018.
- The Police District Fund, a Township major fund, had cash receipts of \$2,477,366 and cash disbursements of \$2,092,785. The Police District Fund cash balance increased \$384,581 during 2018.
- The Fire District Fund, a Township major fund, had cash receipts of \$2,249,794 and cash disbursements of \$2,486,808. The Fire District Fund cash balance decreased \$237,014 during 2018.

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, 2018

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 2018?” 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.

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.

Governmental Funds

All of the Township’s non-fiduciary 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.

HOWLAND TOWNSHIP, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

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.

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.

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 2018 and 2017.

| | Net Cash Position | |
|--|--------------------------------|---------------------|
| | <u>Governmental Activities</u> | |
| | <u>2018</u> | <u>2017</u> |
| <u>Assets</u> | | |
| Equity in pooled cash and cash equivalents | \$ 1,965,517 | \$ 1,500,584 |
| Total assets | <u>1,965,517</u> | <u>1,500,584</u> |
| <u>Net Cash Position</u> | | |
| Restricted | 1,411,119 | 1,093,378 |
| Unrestricted | <u>554,398</u> | <u>407,206</u> |
| Total net cash position | <u>\$ 1,965,517</u> | <u>\$ 1,500,584</u> |

For fiscal year 2018, net cash position of the Township increased \$464,933 or 30.98%. Restricted net cash position represents amounts that are subject to external restrictions as to use. The balance of government-wide unrestricted net cash position of \$554,398 at December 31, 2018 may be used to meet the government's ongoing obligations to citizens and creditors.

HOWLAND TOWNSHIP, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The table below shows the changes in net cash position for 2018 and 2017.

| | Change in Net Cash Position | |
|--|------------------------------------|------------------------------------|
| | Governmental Activities 2018 | Governmental Activities 2017 |
| | <hr/> | <hr/> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 1,732,131 | \$ 1,043,654 |
| Operating grants and contributions | 234,112 | 240,412 |
| Capital grants and contributions | 150,054 | 280,645 |
| | <hr/> | <hr/> |
| Total program cash receipts | 2,116,297 | 1,564,711 |
| General cash receipts: | | |
| Property and other taxes | 5,333,475 | 5,169,142 |
| Unrestricted grants | 1,250,638 | 1,321,755 |
| Loan issuance | 184,465 | - |
| Investment earnings | 35,641 | 8,494 |
| Other | 190,120 | 163,876 |
| | <hr/> | <hr/> |
| Total general cash receipts | 6,994,339 | 6,663,267 |
| Total cash receipts | <hr/> | <hr/> |
| | 9,110,636 | 8,227,978 |
| Cash Disbursements: | | |
| General government | 1,043,116 | 968,471 |
| Public safety | 5,109,811 | 4,845,059 |
| Public works | 1,652,489 | 1,646,705 |
| Health | 72,445 | 89,554 |
| Human services | 7,983 | 10,748 |
| Miscellaneous | 69,594 | 105,473 |
| Capital outlay | 575,709 | 400,804 |
| Debt service | | |
| Principal retirement | 94,349 | 62,606 |
| Interest and fiscal charges | 20,207 | 4,528 |
| | <hr/> | <hr/> |
| Total cash disbursements | 8,645,703 | 8,133,948 |
| Change in net cash position | 464,933 | 94,030 |
| Net cash position at beginning of year | 1,500,584 | 1,406,554 |
| | <hr/> | <hr/> |
| Net cash position at end of year | \$ 1,965,517 | \$ 1,500,584 |

Governmental Activities

Governmental activities net cash position increased \$464,933 in 2018. Program cash receipts increased due to the collection of traffic camera fines, a program which the Township implemented in early 2018. General cash receipts also increased, primarily due to the issuance of OPWC loans and an increase in property tax collections.

HOWLAND TOWNSHIP, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

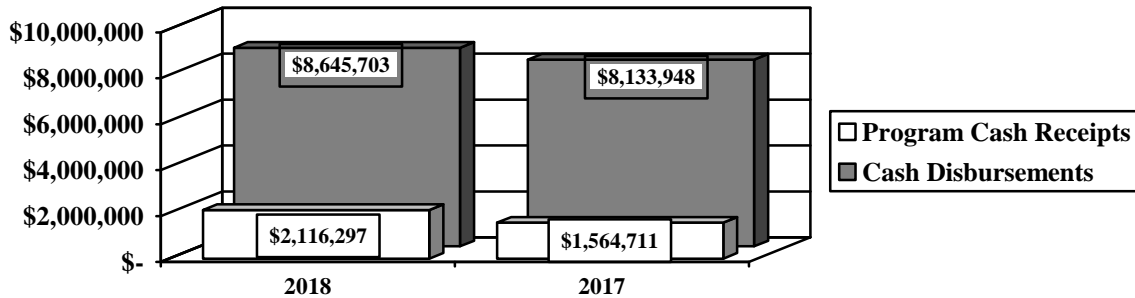
General government represents activities related to the governing body as well as activities that directly support Township programs. In 2018, general government cash disbursements totaled \$1,043,116 or 12.07% of total governmental cash disbursements. General government programs were supported by \$476,176 in direct charges to users for services and \$1,219 in operating grants and contributions.

Public safety programs for the Township consist primarily of police district and fire district operations, and ambulance and emergency services operations. In 2018, public safety programs accounted for \$5,109,811 or 59.10% of total governmental cash disbursements. Public safety programs were supported by \$1,218,258 in direct charges and \$38,066 in operating grants and contributions.

Public works disbursements comprised another \$1,652,489 or 19.11% of total governmental cash disbursements in 2018. Public works programs are mostly related to the repair and maintenance of roads within the Township.

The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. As illustrated in the graph below, the Township is reliant upon general cash receipts to finance operations as program cash receipts are not sufficient to cover total cash disbursements. The table on the following page shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax receipts and unrestricted grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



HOWLAND TOWNSHIP, OHIO

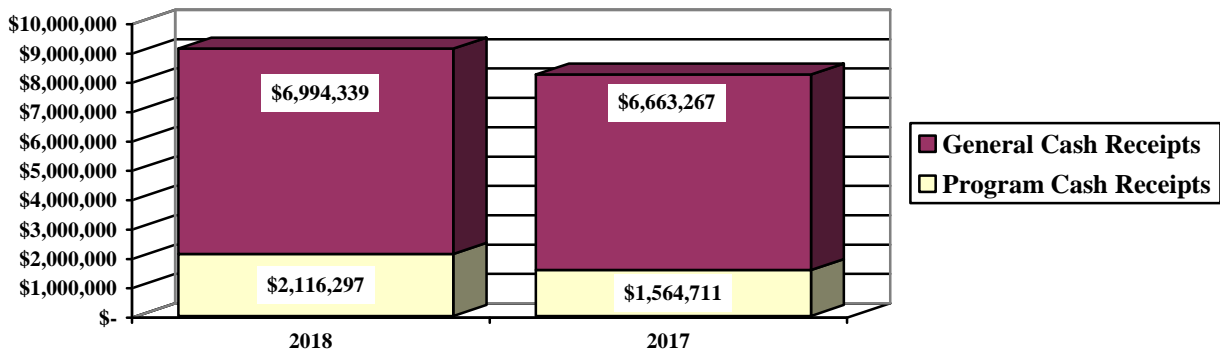
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Governmental Activities

| | Total Cost of Services <u>2018</u> | Net Cost of Services <u>2018</u> | Total Cost of Services <u>2017</u> | Net Cost of Services <u>2017</u> |
|-----------------------------|--|--|--|--|
| Cash disbursements: | | | | |
| Current: | | | | |
| General government | \$ 1,043,116 | \$ 565,721 | \$ 968,471 | \$ 584,690 |
| Public safety | 5,109,811 | 3,853,487 | 4,845,059 | 4,195,355 |
| Public works | 1,652,489 | 1,474,828 | 1,646,705 | 1,444,506 |
| Health | 72,445 | 65,210 | 89,554 | 48,637 |
| Human services | 7,983 | 7,983 | 10,748 | 10,748 |
| Miscellaneous | 69,594 | 69,594 | 105,473 | 105,473 |
| Capital outlay | 575,709 | 378,027 | 400,804 | 112,694 |
| Debt service: | | | | |
| Principal retirement | 94,349 | 94,349 | 62,606 | 62,606 |
| Interest and fiscal charges | 20,207 | 20,207 | 4,528 | 4,528 |
| Total | \$ 8,645,703 | \$ 6,529,406 | \$ 8,133,948 | \$ 6,569,237 |

The dependence upon general cash receipts for governmental activities is apparent, with 75.52% of cash disbursements supported through taxes and other general cash receipts during 2018.

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, 2018, the Township's governmental funds reported a combined fund cash balance of \$1,965,517, which is \$464,933 higher than last year's total of \$1,500,584. The following schedule indicates the fund cash balance and the total change in fund cash balance as of December 31, 2018, for all major and nonmajor governmental funds.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Fund Cash Balance</u> <u>December 31, 2018</u> | <u>Fund Cash Balance</u> <u>December 31, 2017</u> | <u>Increase/</u> <u>(Decrease)</u> |
|-----------------------------------|--|--|---------------------------------------|
| Major Funds: | | | |
| General | \$ 552,477 | \$ 405,286 | \$ 147,191 |
| Road and Bridge | 427,103 | 209,553 | 217,550 |
| Police District | 481,272 | 96,691 | 384,581 |
| Fire District | 168,626 | 405,640 | (237,014) |
| Other Nonmajor Governmental Funds | <u>336,039</u> | <u>383,414</u> | <u>(47,375)</u> |
| Total | <u>\$ 1,965,517</u> | <u>\$ 1,500,584</u> | <u>\$ 464,933</u> |

General Fund

The General Fund had cash receipts \$1,460,555 and cash disbursements of \$1,313,364. The General Fund's cash balance increased \$147,191 during 2018.

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

| | <u>2018</u> <u>Amount</u> | <u>2017</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Taxes | \$ 529,159 | \$ 495,088 | 6.88 % |
| Intergovernmental | 363,699 | 315,313 | 15.35 % |
| Special assessments | 8,375 | 3,264 | 156.59 % |
| License, permits and fees | 464,652 | 370,788 | 25.31 % |
| Fines and forfeitures | 4,979 | 4,693 | 6.09 % |
| Investment income | 35,054 | 8,177 | 328.69 % |
| Other | <u>54,637</u> | <u>57,868</u> | (5.58) % |
| Total | <u>\$ 1,460,555</u> | <u>\$ 1,255,191</u> | 16.36 % |

The main sources of receipts for the general fund are taxes, intergovernmental, and licenses, permits and fees. Taxes increased due to higher collections on both property taxes and sales taxes. The increase in intergovernmental receipts is a primarily a result of liquor permit fees received from the State and various intergovernmental grants. License, permits and fees increased due to an increase in cable franchise fees and zoning fees. Investment income also increased due to higher cash balances available to invest and an increase in interest rates.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

| | 2018 Amount | 2017 Amount | Percentage Change |
|-----------------------------|---------------------|---------------------|----------------------|
| Cash Disbursements | | | |
| General government | \$ 974,787 | \$ 896,593 | 8.72 % |
| Public safety | 118,449 | 31,627 | 274.52 % |
| Public works | - | 116 | (100.00) % |
| Health | 64,702 | 73,227 | (11.64) % |
| Human services | 7,983 | 10,748 | (25.73) % |
| Miscellaneous | 64,043 | 67,670 | (5.36) % |
| Capital outlay | 44,849 | 86,395 | (48.09) % |
| Debt service: | | | |
| Principal retirement | 37,297 | 36,321 | 2.69 % |
| Interest and fiscal charges | 1,254 | 2,229 | (43.74) % |
| Total | \$ 1,313,364 | \$ 1,204,926 | 9.00 % |

As illustrated in the table above, total general fund cash disbursements increased, especially for the general government and public safety functions. The increase in public safety resulted from higher costs for various police department activities including supplies, repairs, fuel and utilities. The most significant decrease in 2018 was for capital outlay disbursements, which is mostly due to additional equipment purchases and replacements for the police and fire departments in 2017.

Road and Bridge Fund

In 2018 the Road and Bridge Fund had cash receipts of \$1,703,304 and cash disbursements of \$1,485,754, both of which are comparable to 2017. The Road and Bridge Fund cash balance increased \$217,550 during 2018.

Police District Fund

In 2018 the Police District Fund had cash receipts of \$2,477,366 and cash disbursements of \$2,092,785, both of which are increases when compared to the prior year. Cash receipts increased due to the collection of traffic camera fines, a program which the Township implemented in early 2018. The increase in cash disbursements is primarily a result of higher costs for employee wages and benefits. The Police District Fund cash balance increased \$384,581 during 2018.

Fire District Fund

In 2018 the Fire District Fund had cash receipts of \$2,249,794 and cash disbursements of \$2,486,808, both of which are comparable to the prior year. The Fire District Fund cash balance decreased \$237,014 during 2018.

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 2018, original and final budgeted resources were both \$1,110,383. Actual cash receipts of \$1,460,555 were higher than final budget estimates by \$350,172. This variance is primarily the result of the Township's conservative revenue estimates. Both the original and final budgetary basis disbursements were \$1,514,627. The actual budgetary basis disbursements of \$1,325,564 were \$189,063 less than the final budget estimate. This variance is due to the Township's practice of budgeting all available resources.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

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 \$575,709 during 2018.

Debt Administration

The Township had the following debt outstanding at December 31, 2018:

| | Governmental Activities 2018 | Governmental Activities 2017 |
|-----------------------------|------------------------------------|------------------------------------|
| OPWC loans | \$ 380,261 | \$ 200,404 |
| Tax anticipation notes | 65,392 | 124,956 |
| Lease-purchase obligation | <u>751,802</u> | <u>-</u> |
| Total long-term obligations | <u>\$ 1,197,455</u> | <u>\$ 325,360</u> |

Additions to long-term debt in 2018 included an OPWC loan of \$184,465 for a road resurfacing project and a lease-purchase of \$781,979 to acquire a new fire truck. Debt retirement in 2018 amounted to \$94,349. See Note 5 in the notes to the basic financial statements for more information on the Township's debt obligations.

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 600 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.

THIS PAGE IS INTENTIONALLY LEFT BLANK

HOWLAND TOWNSHIP, OHIO

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2018

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 1,965,517 |
| Total assets | <u>1,965,517</u> |
| Net cash position: | |
| Restricted for: | |
| Public safety | 864,449 |
| Public works | 427,103 |
| Health and human services | 35,004 |
| Street maintenance and construction | 66,012 |
| Capital projects | 18,551 |
| Unrestricted | <u>554,398</u> |
| Total net cash position | <u>\$ 1,965,517</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | 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 | \$ 1,043,116 | \$ 476,176 | \$ 1,219 | \$ - | \$ (565,721) |
| Public safety | 5,109,811 | 1,218,258 | 38,066 | - | (3,853,487) |
| Public works | 1,652,489 | 8,375 | 169,286 | - | (1,474,828) |
| Health | 72,445 | 7,235 | - | - | (65,210) |
| Human services | 7,983 | - | - | - | (7,983) |
| Miscellaneous | 69,594 | - | - | - | (69,594) |
| Capital outlay | 575,709 | 22,087 | 25,541 | 150,054 | (378,027) |
| Debt service: | | | | | |
| Principal retirement | 94,349 | - | - | - | (94,349) |
| Interest and fiscal charges | 20,207 | - | - | - | (20,207) |
| Total governmental activities | \$ 8,645,703 | \$ 1,732,131 | \$ 234,112 | \$ 150,054 | (6,529,406) |

General cash receipts:

| | |
|---|---------------------|
| Property and other taxes levied for: | |
| General purposes | 529,159 |
| Road and bridge improvements | 1,489,615 |
| Public safety - police district | 1,482,890 |
| Public safety - fire district | 1,831,811 |
| Grants and entitlements not restricted to specific programs | 1,250,638 |
| Loan issuance | 184,465 |
| Investment receipts | 35,641 |
| Miscellaneous | 190,120 |
| Total general cash receipts | 6,994,339 |
| Change in net cash position | 464,933 |
| Net cash position at beginning of year | 1,500,584 |
| Net cash position at end of year | \$ 1,965,517 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

HOWLAND TOWNSHIP, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

| | <u>General</u> | <u>Road and Bridge</u> | <u>Police District</u> | <u>Fire District</u> |
|--|-------------------|----------------------------|----------------------------|--------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 552,477 | \$ 427,103 | \$ 481,272 | \$ 168,626 |
| Total assets | <u>\$ 552,477</u> | <u>\$ 427,103</u> | <u>\$ 481,272</u> | <u>\$ 168,626</u> |
| Fund cash balances: | | | | |
| Restricted: | | | | |
| Public safety | \$ - | \$ - | \$ 481,272 | \$ 168,626 |
| Public works | - | 427,103 | - | - |
| Health and human services | - | - | - | - |
| Street maintenance and construction | - | - | - | - |
| Capital projects | - | - | - | - |
| Committed: | | | | |
| Health and human services | - | - | - | - |
| Assigned: | | | | |
| Public safety | 12,200 | - | - | - |
| Subsequent year appropriations | 536,573 | - | - | - |
| Unrestricted | <u>3,704</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund cash balances | <u>\$ 552,477</u> | <u>\$ 427,103</u> | <u>\$ 481,272</u> | <u>\$ 168,626</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 336,039 | \$ 1,965,517 |
| <u>\$ 336,039</u> | <u>\$ 1,965,517</u> |
| | |
| \$ 214,551 | \$ 864,449 |
| - | 427,103 |
| 35,004 | 35,004 |
| 66,012 | 66,012 |
| 18,551 | 18,551 |
| 1,921 | 1,921 |
| - | 12,200 |
| - | 536,573 |
| - | 3,704 |
| <u>\$ 336,039</u> | <u>\$ 1,965,517</u> |

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>General</u> | <u>Road and Bridge</u> | <u>Police District</u> | <u>Fire District</u> |
|---|-------------------|----------------------------|----------------------------|--------------------------|
| Cash receipts: | | | | |
| Taxes | \$ 529,159 | \$ 1,489,615 | \$ 1,482,890 | \$ 1,831,811 |
| Intergovernmental | 363,699 | 205,478 | 310,658 | 389,461 |
| Special assessments | 8,375 | - | - | - |
| Charges for services | - | - | - | - |
| License, permits and fees | 464,652 | - | - | - |
| Fines, forfeitures and penalties | 4,979 | - | 589,619 | - |
| Interest | 35,054 | - | - | - |
| Contributions and donations | 500 | - | - | 3,475 |
| Miscellaneous | 54,137 | 8,211 | 94,199 | 25,047 |
| Total cash receipts | <u>1,460,555</u> | <u>1,703,304</u> | <u>2,477,366</u> | <u>2,249,794</u> |
| Cash disbursements: | | | | |
| Current: | | | | |
| General government | 974,787 | - | 26,986 | 33,336 |
| Public safety | 118,449 | 7,865 | 1,952,001 | 2,396,050 |
| Public works | - | 1,471,992 | - | - |
| Health | 64,702 | - | - | - |
| Human services | 7,983 | - | - | - |
| Miscellaneous | 64,043 | - | - | - |
| Capital outlay | 44,849 | 5,897 | 113,798 | 10,000 |
| Debt service: | | | | |
| Principal retirement | 37,297 | - | - | 30,177 |
| Interest and fiscal charges | 1,254 | - | - | 17,245 |
| Total cash disbursements | <u>1,313,364</u> | <u>1,485,754</u> | <u>2,092,785</u> | <u>2,486,808</u> |
| Excess (deficiency) of cash receipts over (under) cash disbursements | <u>147,191</u> | <u>217,550</u> | <u>384,581</u> | <u>(237,014)</u> |
| Other financing receipts: | | | | |
| Loan issuance | - | - | - | - |
| Total other financing receipts | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund cash balances | 147,191 | 217,550 | 384,581 | (237,014) |
| Fund cash balances | | | | |
| at beginning of year | <u>405,286</u> | <u>209,553</u> | <u>96,691</u> | <u>405,640</u> |
| Fund cash balances at end of year | <u>\$ 552,477</u> | <u>\$ 427,103</u> | <u>\$ 481,272</u> | <u>\$ 168,626</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 4,608 | \$ 5,338,083 |
| 357,425 | 1,626,721 |
| - | 8,375 |
| 632,339 | 632,339 |
| 29,322 | 493,974 |
| - | 594,598 |
| 587 | 35,641 |
| 2,845 | 6,820 |
| 8,026 | 189,620 |
| <u>1,035,152</u> | <u>8,926,171</u> |
| 8,007 | 1,043,116 |
| 635,446 | 5,109,811 |
| 180,497 | 1,652,489 |
| 7,743 | 72,445 |
| - | 7,983 |
| 5,551 | 69,594 |
| 401,165 | 575,709 |
| 26,875 | 94,349 |
| 1,708 | 20,207 |
| <u>1,266,992</u> | <u>8,645,703</u> |
| <u>(231,840)</u> | <u>280,468</u> |
| <u>184,465</u> | <u>184,465</u> |
| <u>184,465</u> | <u>184,465</u> |
| (47,375) | 464,933 |
| <u>383,414</u> | <u>1,500,584</u> |
| <u>\$ 336,039</u> | <u>\$ 1,965,517</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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------|------------------|-------------------|---|
| | Original | Final | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 503,115 | \$ 503,115 | \$ 529,159 | \$ 26,044 |
| Intergovernmental | 273,268 | 273,268 | 363,699 | 90,431 |
| Special assessments | - | - | 8,375 | 8,375 |
| License, permits and fees | 330,000 | 330,000 | 464,652 | 134,652 |
| Fines, forfeitures and penalties. | 4,000 | 4,000 | 4,979 | 979 |
| Interest. | - | - | 35,054 | 35,054 |
| Contributions and donations | - | - | 500 | 500 |
| Miscellaneous | - | - | 54,137 | 54,137 |
| Total budgetary basis receipts. | <u>1,110,383</u> | <u>1,110,383</u> | <u>1,460,555</u> | <u>350,172</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| General government | 923,900 | 1,041,750 | 974,787 | 66,963 |
| Public safety | 107,443 | 155,943 | 130,649 | 25,294 |
| Health | 77,665 | 71,665 | 64,702 | 6,963 |
| Human services | 12,000 | 12,000 | 7,983 | 4,017 |
| Miscellaneous | 68,500 | 68,500 | 64,043 | 4,457 |
| Capital outlay | 97,938 | 84,738 | 44,849 | 39,889 |
| Debt service: | | | | |
| Principal retirement | 37,297 | 37,297 | 37,297 | - |
| Interest and fiscal charges | 1,254 | 1,254 | 1,254 | - |
| Total budgetary basis disbursements | <u>1,325,997</u> | <u>1,473,147</u> | <u>1,325,564</u> | <u>147,583</u> |
| Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements. | <u>(215,614)</u> | <u>(362,764)</u> | <u>134,991</u> | <u>497,755</u> |
| Other financing (uses): | | | | |
| Transfers (out). | (188,630) | (41,480) | - | 41,480 |
| Total other financing (uses) | <u>(188,630)</u> | <u>(41,480)</u> | <u>-</u> | <u>41,480</u> |
| Net change in fund cash balance | (404,244) | (404,244) | 134,991 | 539,235 |
| Fund cash balance at beginning of year | 401,711 | 401,711 | 401,711 | - |
| Prior year encumbrances appropriated | <u>3,575</u> | <u>3,575</u> | <u>3,575</u> | <u>-</u> |
| Fund cash balance at end of year | <u>\$ 1,042</u> | <u>\$ 1,042</u> | <u>\$ 540,277</u> | <u>\$ 539,235</u> |

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, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 1,428,517 | \$ 1,428,517 | \$ 1,489,615 | \$ 61,098 |
| Intergovernmental | 265,618 | 265,618 | 205,478 | (60,140) |
| Miscellaneous | - | - | 8,211 | 8,211 |
| Total budgetary basis receipts | <u>1,694,135</u> | <u>1,694,135</u> | <u>1,703,304</u> | <u>9,169</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| Public safety | 15,000 | 15,000 | 7,865 | 7,135 |
| Public works | 1,653,688 | 1,653,688 | 1,539,023 | 114,665 |
| Capital outlay | 235,000 | 235,000 | 233,489 | 1,511 |
| Total budgetary basis disbursements. | <u>1,903,688</u> | <u>1,903,688</u> | <u>1,780,377</u> | <u>123,311</u> |
| Net change in fund cash balance | (209,553) | (209,553) | (77,073) | 132,480 |
| Fund cash balance at beginning of year | 78,316 | 78,316 | 78,316 | - |
| Prior year encumbrances appropriated | <u>131,237</u> | <u>131,237</u> | <u>131,237</u> | <u>-</u> |
| Fund cash balance at end of year. | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 132,480</u> | <u>\$ 132,480</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, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 1,475,398 | \$ 1,475,398 | \$ 1,482,890 | \$ 7,492 |
| Intergovernmental | 311,886 | 311,886 | 310,658 | (1,228) |
| Fines, forfeitures and penalties | - | 450,000 | 589,619 | 139,619 |
| Miscellaneous | 30,000 | 30,000 | 94,199 | 64,199 |
| Total budgetary basis receipts | <u>1,817,284</u> | <u>2,267,284</u> | <u>2,477,366</u> | <u>210,082</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| General government | 28,500 | 28,500 | 26,987 | 1,513 |
| Public safety | 1,885,475 | 1,920,475 | 1,952,042 | (31,567) |
| Capital outlay | - | 415,000 | 333,991 | 81,009 |
| Total budgetary basis disbursements | <u>1,913,975</u> | <u>2,363,975</u> | <u>2,313,020</u> | <u>50,955</u> |
| Net change in fund cash balance | (96,691) | (96,691) | 164,346 | 261,037 |
| Fund cash balance at beginning of year | 96,411 | 96,411 | 96,411 | - |
| Prior year encumbrances appropriated . . . | <u>280</u> | <u>280</u> | <u>280</u> | <u>-</u> |
| Fund cash balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 261,037</u> | <u>\$ 261,037</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, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------------|------------------|-------------------|---|
| | Original | Final | | |
| Budgetary basis receipts: | | | | |
| Taxes | \$ 1,822,551 | \$ 1,822,551 | \$ 1,831,811 | \$ 9,260 |
| Intergovernmental | 384,120 | 397,000 | 389,461 | (7,539) |
| Contributions and donations | - | - | 3,475 | 3,475 |
| Miscellaneous | 3,000 | 3,000 | 25,047 | 22,047 |
| Total budgetary basis receipts | <u>2,209,671</u> | <u>2,222,551</u> | <u>2,249,794</u> | <u>27,243</u> |
| Budgetary basis disbursements: | | | | |
| Current: | | | | |
| General government | 39,000 | 39,000 | 33,336 | 5,664 |
| Public safety | 2,429,122 | 2,466,077 | 2,396,590 | 69,487 |
| Capital outlay | 145,000 | 73,503 | 10,000 | 63,503 |
| Debt service: | | | | |
| Principal retirement | - | 30,177 | 30,177 | - |
| Interest and fiscal charges | - | 17,245 | 17,245 | - |
| Total budgetary basis disbursements | <u>2,613,122</u> | <u>2,626,002</u> | <u>2,487,348</u> | <u>138,654</u> |
| Net change in fund cash balance | (403,451) | (403,451) | (237,554) | 165,897 |
| Fund cash balance at beginning of year | 395,640 | 395,640 | 395,640 | - |
| Prior year encumbrances appropriated | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| Fund cash balance at end of year | <u>\$ 2,189</u> | <u>\$ 2,189</u> | <u>\$ 168,086</u> | <u>\$ 165,897</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2018

| | <u>Agency</u> |
|--|------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 14,621 |
| Total assets | <u>\$ 14,621</u> |
| Liabilities: | |
| Deposits held and due to others | \$ 14,621 |
| Total liabilities | <u>\$ 14,621</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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.D., 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. Reporting Entity

For financial reporting purposes, the Township’s Basic Financial Statements (BFS) include all funds, agencies, boards, commissions, and departments for which the Township is financially accountable. Financial accountability, as defined by the GASB, exists if the Township appoints a voting majority of an organization’s Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the Township. The Township may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the Township. The Township also took into consideration other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township’s basic financial statements to be misleading or incomplete. The Township has no component units.

The following organization is described due to their significant relationship to the Township:

Ohio Township Association Risk Management Authority

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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’ deductible. This organization is discussed in Note 8.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

B. 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.

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.

C. 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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 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.

D. Basis of Accounting

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

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

E. Budgetary Process

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

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

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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

F. 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 2018, the Township invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The Township measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes

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 2018 were \$35,054 which includes \$25,206 assigned from other Township funds.

G. 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, 2018.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

H. 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.

I. 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.

J. 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.

K. 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 6 and 7, the employer contributions include portions for pension benefits and for postemployment health care benefits.

L. 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.

M. 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.

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

N. 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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.

O. 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.

P. 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 2018.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - 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.

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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL
STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledge to the Treasurer of State to secure the repayment of all public monies deposited in the financial 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.

A. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all Township deposits was \$591,705 and the bank balance of all Township deposits was \$653,581. Of the bank balance, \$358,763 was covered by the FDIC and \$294,818 was potentially exposed to custodial credit risk as discussed below because those deposits were uninsured and could be uncollateralized. Although 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.

Custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned. The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the Township and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the Township's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS.

B. Investments

As of December 31, 2018, the Township had the following investments:

| <u>Investment type</u> | <u>Measurement</u> <u>Value</u> | <u>Investment Maturity</u> 6 months or less | <u>% of Total</u> |
|------------------------|------------------------------------|---|-------------------|
| STAR Ohio | <u>\$ 1,388,433</u> | <u>\$ 1,388,433</u> | 100.00 |

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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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, 2018:

| | |
|--|---------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 591,705 |
| Investments | <u>1,388,433</u> |
| Total | <u>\$ 1,980,138</u> |
| <u>Cash and investments per financial statements</u> | |
| Governmental activities | \$ 1,965,517 |
| Agency fund | <u>14,621</u> |
| Total | <u>\$ 1,980,138</u> |

NOTE 4 - PROPERTY TAXES

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. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 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, 2018

NOTE 4 - PROPERTY TAXES (Continued)

The full tax rate for all Township operations for the year ended December 31, 2018 was \$14.50 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

| | <u>2018</u> |
|------------------------------|---------------------------|
| <u>Real Property</u> | |
| Residential/agricultural | \$ 320,128,250 |
| Other | 87,601,970 |
| <u>Public Utility</u> | |
| Real | 246,810 |
| Personal | <u>10,213,960</u> |
| Total assessed valuation | <u>\$ 418,190,990</u> |

NOTE 5 - DEBT OBLIGATIONS

Transactions for the year ended December 31, 2018 are summarized as follows:

| <u>Governmental activities:</u> | <u>Balance</u> | | | <u>Balance</u> | <u>Amounts</u> |
|---------------------------------|-------------------|-------------------|--------------------|---------------------|-------------------|
| | <u>12/31/17</u> | <u>Additions</u> | <u>Reductions</u> | <u>12/31/18</u> | <u>Due in</u> |
| | | | | | <u>One Year</u> |
| <u>OPWC loans:</u> | | | | | |
| Culvert replacment | \$ 73,727 | \$ - | \$ (4,608) | 69,119 | \$ 4,608 |
| Road resurfacing | <u>126,677</u> | <u>184,465</u> | <u>-</u> | <u>311,142</u> | <u>-</u> |
| Total OPWC loans | <u>200,404</u> | <u>184,465</u> | <u>(4,608)</u> | <u>380,261</u> | <u>4,608</u> |
| <u>Tax anticipation notes:</u> | | | | | |
| Ambulances | 56,319 | - | (37,297) | 19,022 | 19,022 |
| Ice removal truck | <u>68,637</u> | <u>-</u> | <u>(22,267)</u> | <u>46,370</u> | <u>22,874</u> |
| Total tax anticipation notes | <u>124,956</u> | <u>-</u> | <u>(59,564)</u> | <u>65,392</u> | <u>41,896</u> |
| Lease-purchase obligation | <u>-</u> | <u>781,979</u> | <u>(30,177)</u> | <u>751,802</u> | <u>67,203</u> |
| Total governmental activities | <u>\$ 325,360</u> | <u>\$ 966,444</u> | <u>\$ (94,349)</u> | <u>\$ 1,197,455</u> | <u>\$ 113,707</u> |

The Township has entered into two debt financing arrangements with the Ohio Public Works Commission (OPWC) to fund culvert replacement and road resurfacing projects. The culvert replacement loan was issued in 2013 and is a 20 year, interest free loan. Principal payments were paid from the culvert replacement capital projects fund in 2018. The road resurfacing loan was authorized in an amount up to \$404,619, with the Township drawing down \$311,142 as of December 31, 2018. An amortization schedule is not available for this loan since the project is not yet complete. The loan is interest-free and will be repaid over a period of 20 to 30 years.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - DEBT OBLIGATIONS (Continued)

The Township has issued tax anticipation notes to finance the purchase of two ambulances and an ice removal truck. The ambulance tax anticipation notes were issued on March 31, 2014 and July 30, 2014 and carry interest rates of 2.8% and 2.5%, respectively. The notes are repaid over a 5 year period from the general fund's yearly lodging tax receipts. The ice removal truck tax anticipation note was issued on January 7, 2016 and carries an interest rate of 2.67%. The note will be repaid over a 5 year period from the gas tax fund.

The principal and interest requirements to retire the loans and notes outstanding at December 31, 2018, are as follows:

| Year Ending December 31, | Loans and Notes | | |
|-----------------------------|-------------------|-----------------|-------------------|
| | Principal | Interest | Total |
| 2019 | \$ 46,504 | \$ 1,354 | \$ 47,858 |
| 2020 | 28,104 | 479 | 28,583 |
| 2021 | 4,608 | - | 4,608 |
| 2022 | 4,608 | - | 4,608 |
| 2023 | 4,608 | - | 4,608 |
| 2024 - 2028 | 23,039 | - | 23,039 |
| 2029 - 2033 | <u>23,040</u> | <u>-</u> | <u>23,040</u> |
| Total | <u>\$ 134,511</u> | <u>\$ 1,833</u> | <u>\$ 136,344</u> |

The Township has entered into a lease-purchase obligation to acquire a new fire truck. Semi-annual payments, including interest at 3.76%, are payable each April 15 and October 15. The final payment is due April 15, 2028. Payments of principal and interest are made from the Fire District fund.

The following is a schedule of the future minimum payments required under the lease and the present value of the payments as of December 31, 2018:

| Year Ending December 31, | Amount |
|------------------------------------|-------------------|
| 2019 | \$ 94,844 |
| 2020 | 94,844 |
| 2021 | 94,844 |
| 2022 | 94,844 |
| 2023 | 94,844 |
| 2024 - 2028 | <u>426,798</u> |
| Total minimum lease payments | 901,018 |
| Less: amount representing interest | <u>(149,216)</u> |
| Total | <u>\$ 751,802</u> |

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

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 - DEFINED BENEFIT PENSION PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Township employees, other than full-time police and firefighters, participate 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 and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Township employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|---|---|---|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Public Safety | Public Safety | Public Safety |
| Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit |
| Law Enforcement | Law Enforcement | Law Enforcement |
| Age and Service Requirements: Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit | Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit |
| Public Safety and Law Enforcement | Public Safety and Law Enforcement | Public Safety and Law Enforcement |
| Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 | Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 |

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | State and Local | Public Safety | Law Enforcement |
|--|--------------------|------------------|--------------------|
| 2018 Statutory Maximum Contribution Rates | | | |
| Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | * | ** |
| 2018 Actual Contribution Rates | | | |
| Employer: | | | |
| Pension | 14.0 % | 18.1 % | 18.1 % |
| Post-employment Health Care Benefits | 0.0 % | 0.0 % | 0.0 % |
| Total Employer | 14.0 % | 18.1 % | 18.1 % |
| Employee | 10.0 % | 12.0 % | 13.0 % |

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Township's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$411,338 for 2018.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description - Township full-time firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension 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 information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - DEFINED BENEFIT PENSION PLANS - (Continued)

| | Police | Firefighters |
|--|-------------|--------------|
| 2018 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |
| 2018 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 % | 0.50 % |
| Total Employer | 19.50 % | 24.00 % |
| Employee | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The Township's contractually required contribution to OP&F was \$379,159 for 2018.

NOTE 7 - DEFINED BENEFIT OPEB PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Township's contractually required contribution was \$852 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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, 2018

NOTE 7 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent 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. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent 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 pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also 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.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The Township's contractually required contribution to OP&F was \$8,067 for 2018.

NOTE 8 - RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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, 2018**

NOTE 8 - RISK MANAGEMENT - (Continued)

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017 (the latest information available), OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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.

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, 2017 (the latest information available):

| | |
|--------------|----------------------|
| | <u>2017</u> |
| Assets | \$ 40,010,732 |
| Liabilities | <u>8,675,465</u> |
| Net Position | <u>\$ 31,335,267</u> |

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Township's share of these unpaid claims collectible in future years is approximately \$30,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township contributed \$67,333 to OTARMA in 2018.

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

NOTE 9 - 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.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 9 - CONTINGENT LIABILITIES - (Continued)

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

NOTE 10 - 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 an assigned or restricted fund balance (cash basis). At December 31, 2018, the encumbrances outstanding at year end (budgetary basis) amounted to \$12,200 for the general fund, \$294,623 for the road and bridge fund, \$220,235 for the police district fund, and \$540 for the fire district fund.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2018, the Township has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the Township's postemployment benefit plan disclosures, as presented in Note 7 to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the Township.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the Township.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 12 - 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 | \$ 12,200 |
| Road and bridge | 294,623 |
| Police district | 220,235 |
| Fire district | 540 |
| Other governmental funds | <u>21,446</u> |
| Total | <u>\$ 549,044</u> |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Township, Trumbull County, (the Township) as of and for the year ended December 31, 2018, 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 10, 2020, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies. We consider findings 2018-001 and 2018-002 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

September 10, 2020

HOWLAND TOWNSHIP
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

1. Receipts Posted at Net

FINDING NUMBER 2018-001

SIGNIFICANT DEFICIENCY

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The control procedures over the review of receipt transactions failed to recognize errors related to posting classifications because the procedures were inadequate.

- The Township issues speeding citations through the use of photo camera enforcement. A contracted service provider handles the billing and collections and then remits the Township share on a monthly basis. The Township posted Fines and Forfeitures revenue (net of related expenditures) instead of recording the gross Fines and Forfeitures revenues and related General Government expenditures. This accounting error understated Fines and Forfeitures revenue and General Government expenditures in the amounts of \$106,603 in the Police District Fund. The financial statements have not been adjusted for these immaterial errors.
- The Township uses an Ambulance carrier. The Ambulance Company reimburses the Township monthly for Ambulance billings. The Company takes out a service fee before remitting the money to the Township. The Township posted Charges for Services revenue (net of related expenditures) instead of recording the gross Charges for Services and related General Government expenditures. This accounting error understated Charges for Services revenue and General Government expenditures by a projected amount of \$62,794 (based on an actual error of \$7,876 identified via sample testing). The financial statements have not been adjusted for these errors; however, they are considered significant and merit attention by those charged with governance.

The Township did not have adequate controls in place to prevent or detect these errors.

The Township should review transaction postings to the accounting system and trial balances to help ensure amounts are properly classified in the financial statements.

Officials' Response: Howland Township no longer utilizes speed cameras. Howland Township will take all necessary steps to correct these deficiencies in the future and follow the auditor's guidance.

2. SOC 1 Report

FINDING NUMBER 2018-002

SIGNIFICANT DEFICIENCY

Sound accounting practices require public officials to design and operate a system of internal control that is adequate to provide reasonable assurance over the reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition.

The Township has outsourced speed camera fines processing, which is a significant accounting function, to a third-party administrator. The Township has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reasonably assure that speed camera fines processing have been authorized and completely and accurately processed in accordance with the contract. Attestation standard (AT-C 320) Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting, prescribes standards for reporting on service organizations. An unmodified Type 2 Report on Management's Description of a Service Organization's System and a Service Auditor's Report on that Description and on the Suitability of the Design and Operating Effectiveness of Controls in accordance with AT-C 320 should provide the Township with reasonable assurance that speed camera fines processing conform to the contract.

The Township contracts with Blue Line Solutions (BLS), which acts as an outside processing service organization for the Township in that it bills and collects for traffic camera fines issued by the Township. The Township did not obtain a SOC-1 report for BLS and also does not have procedures in place to independently review billings and collections to ensure that they are complete and accurate.

By not reviewing BLS's SOC 1 report and BLS's controls, the Township does not have assurance whether BLS has proper controls in place and if they are effective. In addition, the Township's failure to review BLS billings and collections could result in undetected errors or omissions. Failing to ensure adequate controls are in place and operating effectively could result in errors occurring without detection.

The Township should require a Type 2 SOC 1 report in its contract with the third-party administrator and should review the SOC 1 report timely. The report should follow the American Institute of Certified Public Accountants' Attestation Standards and be performed by a firm registered and in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the Township with a Type 2 SOC 1 report, the Township should contract with a third-party administrator that will provide this report.

Officials' Response: Howland Township no longer utilizes speed cameras.

OHIO AUDITOR OF STATE KEITH FABER



HOWLAND TOWNSHIP

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/5/2020

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

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