



Dave Yost • Auditor of State

HOWLAND TOWNSHIP
TRUMBULL COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Township, Trumbull County, Ohio (the Township) as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Township, Trumbull County, Ohio, as of December 31, 2011, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, Road and Bridge Fund, Police District Fund, Fire District Fund, and Ambulance and Emergency Medical Fund, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 2, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Township's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

June 29, 2012

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

The management's discussion and analysis of Howland Township's (the "Township") financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2011, 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 2011 are as follows:

- For fiscal year 2011, the total net cash assets of the Township decreased \$964,221 or 24.50%.
- For fiscal year 2011, general cash receipts accounted for \$6,873,905 or 78.03% of total governmental activities cash receipts and program specific cash receipts accounted for \$1,935,623 or 21.97% of total governmental activities cash receipts.
- For fiscal year 2011, the Township had \$9,134,343 in cash disbursements related to governmental activities; \$1,935,623 of these cash disbursements were offset by program specific charges for services, grants or contributions. The Township also has a special item in the amount of \$639,406. General cash receipts (primarily taxes) of \$6,873,905 were not adequate to provide for these programs.
- The Township's major funds are the General Fund, Road and Bridge Fund, Police District Fund, Fire District Fund and Ambulance and Emergency Medical Fund. The General Fund, the Township's largest major fund, had cash receipts of \$2,271,048. The cash disbursements and other financing disbursements of the General Fund, totaled \$3,157,830, including a special item in the amount of \$639,406. The General Fund's cash balance decreased \$886,782 from 2010 to 2011.
- The Road and Bridge Fund, a Township major fund, had cash receipts of \$1,258,831. The Road and Bridge Fund had cash disbursements of \$1,222,681. The Road and Bridge Fund cash balance increased \$36,150 from 2010 to 2011.
- The Police District Fund, a Township major fund, had cash receipts of \$1,781,898. The Police District Fund had cash disbursements of \$1,878,601. The Police District Fund cash balance decreased \$96,703 from 2010 to 2011.
- The Fire District Fund, a Township major fund, had cash receipts of \$2,148,799. The Fire District Fund had cash disbursements of \$1,966,387. The Fire District Fund cash balance increased \$182,412 from 2010 to 2011.
- The Ambulance and Emergency Medical Fund, a Township major fund, had cash receipts of \$686,465. The Ambulance and Emergency Medical Fund had cash disbursements of \$834,174. The Ambulance and Emergency Fund cash balance decreased \$147,709 from 2010 to 2011.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

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 assets – 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 five major governmental funds. The General Fund is the largest major fund.

Reporting the Township as a Whole

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

The statement of net assets – cash basis and the statement of activities – cash basis answer the question, “How did we do financially during 2011?” These statements include *only net assets* 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 assets and changes in those assets on a cash basis. This change in net cash assets 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 assets – cash basis and the statement of activities – cash basis, the governmental activities include the Township's programs and services, including police and fire protection, road and bridge maintenance and repair, and ambulance services. The statement of net assets – cash basis and the statement of activities – cash basis can be found on pages 11-12 of this report.

Reporting the Township's Most Significant Funds

Fund Financial Statements

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

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, Fire District Fund and the Ambulance and Emergency Medical Fund. The analysis of the Township's major governmental funds begins on page 8.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Governmental Funds

All of the Township's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals 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 assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 13-16 of this report.

The Township's budgetary process accounts for transactions on the budgetary basis of accounting. The difference between the budgetary basis of accounting and the cash basis of accounting is that encumbrances at year-end are recorded as a disbursement on the budgetary basis of accounting whereas on the cash basis, the disbursement is only recorded when cash is paid. The budgetary statements for the General Fund, Road and Bridge Fund, Police District Fund, Fire District Fund and Ambulance and Emergency Medical Fund are presented to demonstrate the Township's compliance with annually adopted budgets. The budgetary statements can be found on pages 17-21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The Township does not have any fiduciary fund types at December 31, 2011.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-37 of this report.

Government-Wide Financial Analysis

Recall that the statement of net assets – cash basis provides the perspective of the Township as a whole. The table below provides a summary of the Township's net cash assets for 2011 and 2010.

	Net Assets	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 2,972,135	\$ 3,936,356
Total assets	<u>2,972,135</u>	<u>3,936,356</u>
<u>Net Cash Assets</u>		
Restricted	1,293,254	1,372,605
Unrestricted	<u>1,678,881</u>	<u>2,563,751</u>
Total net cash assets	<u>\$ 2,972,135</u>	<u>\$ 3,936,356</u>

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

For fiscal year 2011, net cash assets of the Township decreased \$964,221 or 24.50%. The balance of government-wide unrestricted net cash assets of \$1,678,881 at December 31, 2011 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net cash assets for fiscal year 2011 and 2010.

Change in Net Cash Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 872,902	\$ 812,266
Operating grants and contributions	730,131	731,013
Capital grants and contributions	<u>332,590</u>	<u>32,816</u>
Total program cash receipts	<u>1,935,623</u>	<u>1,576,095</u>
General cash receipts:		
Property and other taxes	4,243,543	4,256,536
Unrestricted grants	2,150,135	3,476,204
Investment earnings	5,277	4,871
Other	<u>474,950</u>	<u>508,932</u>
Total general cash receipts	<u>6,873,905</u>	<u>8,246,543</u>
Total cash receipts	<u>8,809,528</u>	<u>9,822,638</u>
Cash Disbursements:		
General government	1,378,037	1,303,467
Public safety	4,703,536	4,714,512
Public works	1,931,642	2,453,280
Health	70,645	79,260
Human services	16,733	8,165
Conservation - recreation	5,648	35,447
Miscellaneous	75,897	72,115
Capital outlay	<u>952,205</u>	<u>336,941</u>
Total cash disbursements	<u>9,134,343</u>	<u>9,003,187</u>
Change in net assets before special items	(324,815)	819,451
Special item-inheritance tax refund	<u>(639,406)</u>	<u>-</u>
Change in net cash assets	(964,221)	819,451
Net cash assets at beginning of year	<u>3,936,356</u>	<u>3,116,905</u>
Net cash assets at end of year	<u>\$ 2,972,135</u>	<u>\$ 3,936,356</u>

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

Governmental Activities

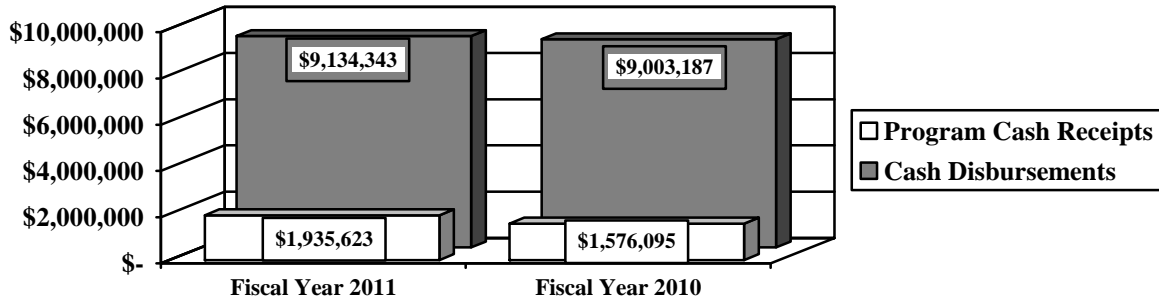
Governmental cash assets decreased by \$964,221 in 2011 from 2010.

General government represents activities related to the governing body as well as activities that directly support Township programs. In 2011, General government cash disbursements totaled \$1,378,037 or 15.09% of total governmental cash disbursements. General government programs were supported by \$71,516 in direct charges to users for services and \$6,192 in operating and contributing grants.

In 2011, the public safety programs accounted for \$4,703,536 or 51.49% of total governmental cash disbursements. Public safety programs were supported by \$698,865 in direct charges and \$382,867 in operating and contributing grants.

The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2011 and 2010. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Governmental Activities – Program Cash Receipts vs. Total Cash Disbursements



Governmental Activities

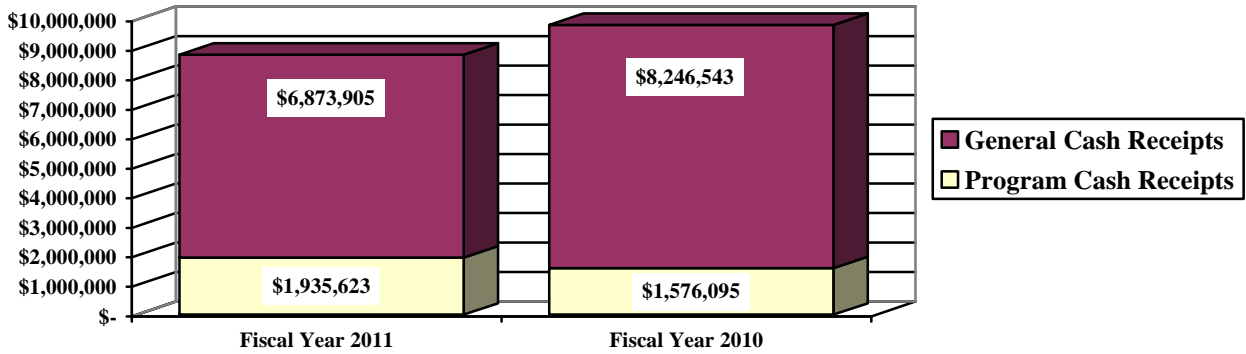
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>
Cash disbursements:				
Current:				
General government	\$ 1,378,037	\$ 1,300,329	\$ 1,303,467	\$ 1,217,676
Public safety	4,703,536	3,621,804	4,714,512	3,655,158
Public works	1,931,642	1,596,338	2,453,280	2,119,700
Health	70,645	54,336	79,260	71,252
Human services	16,733	16,731	8,165	8,161
Conservation - recreation	5,648	5,648	35,447	35,447
Miscellaneous	75,897	75,897	72,115	72,115
Capital outlay	<u>952,205</u>	<u>527,637</u>	<u>336,941</u>	<u>247,583</u>
Total	<u>\$ 9,134,343</u>	<u>\$ 7,198,720</u>	<u>\$ 9,003,187</u>	<u>\$ 7,427,092</u>

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

The dependence upon general cash receipts for governmental activities is apparent; with 78.81% of cash disbursements supported through taxes and other general cash receipts during 2011.

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, 2011, the Township's governmental funds reported a combined fund cash balance of \$2,972,135, which is \$964,221 less than last year's total of \$3,936,356. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2011, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2011</u>	<u>Fund Cash Balance</u> <u>December 31, 2010</u>	<u>Increase/</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 1,676,969	\$ 2,563,751	\$ (886,782)
Road and Bridge	230,019	193,869	36,150
Police District	102,045	198,748	(96,703)
Fire District	304,186	121,774	182,412
Ambulance and Emergency Medical	248,778	396,487	(147,709)
Other Nonmajor Governmental Funds	<u>410,138</u>	<u>461,727</u>	<u>(51,589)</u>
Total	<u>\$ 2,972,135</u>	<u>\$ 3,936,356</u>	<u>\$ (964,221)</u>

General Fund

The General Fund, the Township's largest major fund, had cash receipts \$2,271,048 and cash disbursements of \$2,484,644. These amounts exclude other financing disbursements, which consisted of transfers out in the amount of \$33,780 and a special item in the amount of \$639,406. The General Fund's cash balance decreased \$886,782 from 2010 to 2011.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
(UNAUDITED)

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

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 516,724	\$ 515,413	0.25 %
Intergovernmental	1,291,788	2,506,374	(48.46) %
Special assessments	3,452	360	858.89 %
License, permits and fees	48,673	52,001	(6.40) %
Fines and forfeitures	19,066	23,390	(18.49) %
Investment income	5,277	4,871	8.34 %
Contributions and donations	-	700	(100.00) %
Other	<u>386,068</u>	<u>395,881</u>	(2.48) %
Total	<u>\$ 2,271,048</u>	<u>\$ 3,498,990</u>	(35.09) %

Intergovernmental income cash receipts decreased due to a decrease in estate taxes and grants. Fines and forfeitures decreased due to a decrease in fines. All other receipts remained comparable to the prior fiscal year.

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

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
General government	\$ 1,312,166	\$ 1,238,990	5.91 %
Public safety	112,410	81,405	38.09 %
Public works	537,915	1,025,627	(47.55) %
Health	65,834	73,264	(10.14) %
Human services	16,733	8,165	104.94 %
Conservation - recreation	5,648	35,447	(84.07) %
Miscellaneous	75,897	72,115	5.24 %
Capital outlay	<u>358,041</u>	<u>152,365</u>	134.99 %
Total	<u>\$ 2,484,644</u>	<u>\$ 2,687,378</u>	(7.54) %

Public safety increased due to increases in retirement contribution. Public works decreased in 2011 due to smaller contracts for roadway paving. Health disbursements decreased due to the decrease of expenditures relating to the repair of condemned property. Human services increased due to an increase in costs related to the senior citizen center. Conservation - recreation decreased in 2011 due to less expenditures relating to wetlands. Capital outlay increased due to new equipment purchases and replacements primarily relating to the fire and police departments in 2011.

Road and Bridge Fund

The Road and Bridge Fund, a Township major fund, had cash receipts of \$1,258,831 in 2011. Cash disbursements in this fund were \$1,222,681 in 2011. The Road and Bridge Fund cash balance increased \$36,150 from 2010 to 2011.

Police District Fund

The Police District Fund, a Township major fund, had cash receipts of \$1,781,898 in 2011. Cash disbursements in this fund were \$1,878,601 in 2011. The Police District Fund cash balance decreased \$96,703 from 2010 to 2011.

HOWLAND TOWNSHIP, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011 (UNAUDITED)

Fire District Fund

The Fire District Fund, a Township major fund, had cash receipts of \$2,148,799 in 2011. Cash disbursements in this fund were \$1,966,387 in 2011. The Fire District Fund cash balance increased \$182,412 from 2010 to 2011.

Ambulance and Emergency Medical Fund

The Ambulance and Emergency Medical Fund, a Township major fund, had cash receipts of \$686,465 in 2011. Cash disbursements in this fund were \$834,174 in 2011. The Ambulance and Emergency Medical Fund cash balance decreased \$147,709 from 2010 to 2011.

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 2011, original and final budget estimated resources were \$1,357,047 for the General Fund. Actual cash receipts of \$2,271,048 were more than final budget estimates by \$914,001. The original and final budgetary basis disbursements and other financing disbursements were \$3,920,293 in the final budgeted estimate. The actual budgetary basis disbursements and other financing disbursements of \$3,207,224 were \$713,069 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The Township had capital outlay disbursements of \$952,205 during fiscal year 2011.

Debt Administration

The Township did not have any debt outstanding at December 31, 2011.

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.

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

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a General overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Robert Costello, Fiscal Officer, Howland Township, 205 Niles-Cortland Rd. NE, Warren, Ohio 44484.

HOWLAND TOWNSHIP, OHIO

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,972,135
Total assets.	<u>2,972,135</u>
Net cash assets:	
Restricted for:	
Public safety.	732,455
Public works.	230,019
Health and human services	80,675
Street maintenance and construction.	65,250
Capital projects	184,855
Unrestricted	<u>1,678,881</u>
Total net cash assets	<u>\$ 2,972,135</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Cash Receipts				Net (Cash Disbursements) Cash Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Current:					
General government	\$ 1,378,037	\$ 71,516	\$ 6,192	\$ -	\$ (1,300,329)
Public safety	4,703,536	698,865	382,867	-	(3,621,804)
Public works	1,931,642	3,452	331,852	-	(1,596,338)
Health	70,645	16,309	-	-	(54,336)
Human services	16,733	-	2	-	(16,731)
Conservation - recreation	5,648	-	-	-	(5,648)
Miscellaneous	75,897	-	-	-	(75,897)
Capital outlay	952,205	82,760	9,218	332,590	(527,637)
Total governmental activities	<u>\$ 9,134,343</u>	<u>\$ 872,902</u>	<u>\$ 730,131</u>	<u>\$ 332,590</u>	<u>(7,198,720)</u>

General cash receipts:

Property and other taxes levied for:

General purposes	516,724
Road and bridge improvements	940,222
Public safety - police district	1,253,715
Public safety - fire district	1,532,882
Grants and entitlements not restricted to specific programs	2,150,135
Investment receipts	5,277
Miscellaneous	474,950
Total general cash receipts	<u>6,873,905</u>
Special item: refund of inheritance tax	<u>(639,406)</u>
Total general cash receipts and special item	<u>6,234,499</u>
Change in net cash assets.	(964,221)
Net cash assets at beginning of year	<u>3,936,356</u>
Net cash assets at end of year.	<u>\$ 2,972,135</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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HOWLAND TOWNSHIP, OHIO

STATEMENT OF ASSETS AND FUND CASH BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Police District</u>	<u>Fire District</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,676,969	\$ 230,019	\$ 102,045	\$ 304,186
Total assets	<u>\$ 1,676,969</u>	<u>\$ 230,019</u>	<u>\$ 102,045</u>	<u>\$ 304,186</u>
Fund cash balances:				
Restricted:				
Public safety	\$ -	\$ -	\$ 102,045	\$ 304,186
Public works	-	230,019	-	-
Health and human services	-	-	-	-
Street maintenance and construction	-	-	-	-
Capital projects	-	-	-	-
Committed:				
Health and human services	-	-	-	-
Assigned:				
Encumbrances - general government	23,906	-	-	-
Encumbrances - capital outlay	23,700	-	-	-
Encumbrances - other purposes	1,788	-	-	-
Unrestricted	<u>1,627,575</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund cash balances	<u>\$ 1,676,969</u>	<u>\$ 230,019</u>	<u>\$ 102,045</u>	<u>\$ 304,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ambulance and Emergency Medical	Other Governmental Funds	Total Governmental Funds
\$ 248,778	\$ 410,138	\$ 2,972,135
<u>\$ 248,778</u>	<u>\$ 410,138</u>	<u>\$ 2,972,135</u>
\$ 248,778	\$ 77,446	\$ 732,455
-	-	230,019
-	80,675	80,675
-	65,250	65,250
-	184,855	184,855
-	1,912	1,912
-	-	23,906
-	-	23,700
-	-	1,788
-	-	1,627,575
<u>\$ 248,778</u>	<u>\$ 410,138</u>	<u>\$ 2,972,135</u>

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General</u>	<u>Road and Bridge</u>	<u>Police District</u>	<u>Fire District</u>
Cash receipts:				
Taxes	\$ 516,724	\$ 940,222	\$ 1,253,715	\$ 1,532,882
Intergovernmental	1,291,788	308,842	489,660	590,900
Special assessments	3,452	-	-	-
Charges for services	-	-	-	-
License, permits and fees	48,673	-	-	-
Fines, forfeitures and penalties	19,066	-	450	-
Interest	5,277	-	-	-
Contributions and donations	-	-	-	2,495
Miscellaneous	386,068	9,767	38,073	22,522
Total cash receipts	<u>2,271,048</u>	<u>1,258,831</u>	<u>1,781,898</u>	<u>2,148,799</u>
Cash disbursements:				
Current:				
General government	1,312,166	-	27,072	33,097
Public safety.	112,410	-	1,851,529	1,871,444
Public works.	537,915	1,214,042	-	-
Health	65,834	-	-	-
Human services	16,733	-	-	-
Conservation - recreation	5,648	-	-	-
Miscellaneous	75,897	-	-	-
Capital outlay	358,041	8,639	-	61,846
Total cash disbursements	<u>2,484,644</u>	<u>1,222,681</u>	<u>1,878,601</u>	<u>1,966,387</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>(213,596)</u>	<u>36,150</u>	<u>(96,703)</u>	<u>182,412</u>
Other financing receipts (disbursements):				
Transfers in	-	-	-	-
Transfers (out)	(33,780)	-	-	-
Total other financing receipts (disbursements)	<u>(33,780)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund cash balances before special item	(247,376)	36,150	(96,703)	182,412
Special item:				
Refund of inheritance tax	(639,406)	-	-	-
Total special items.	<u>(639,406)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	(886,782)	36,150	(96,703)	182,412
Fund cash balances				
at beginning of year.	2,563,751	193,869	198,748	121,774
Fund cash balances at end of year	<u>\$ 1,676,969</u>	<u>\$ 230,019</u>	<u>\$ 102,045</u>	<u>\$ 304,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Ambulance and Emergency Medical	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,243,543
2,000	529,612	3,212,802
-	-	3,452
681,928	81,644	763,572
-	32,780	81,453
-	4,909	24,425
-	54	5,331
-	-	2,495
2,537	13,488	472,455
<u>686,465</u>	<u>662,487</u>	<u>8,809,528</u>
-	5,702	1,378,037
785,309	82,844	4,703,536
-	179,685	1,931,642
-	4,811	70,645
-	-	16,733
-	-	5,648
-	-	75,897
48,865	474,814	952,205
<u>834,174</u>	<u>747,856</u>	<u>9,134,343</u>
(147,709)	(85,369)	(324,815)
-	33,780	33,780
-	-	(33,780)
-	33,780	-
(147,709)	(51,589)	(324,815)
-	-	(639,406)
-	-	(639,406)
(147,709)	(51,589)	(964,221)
396,487	461,727	3,936,356
<u>\$ 248,778</u>	<u>\$ 410,138</u>	<u>\$ 2,972,135</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 467,742	\$ 467,742	\$ 516,724	\$ 48,982
Intergovernmental	574,305	574,305	1,291,788	717,483
Special assessments	-	-	3,452	3,452
License, permits and fees	30,500	30,500	48,673	18,173
Fines, forfeitures and penalties.	-	-	19,066	19,066
Interest.	5,000	5,000	5,277	277
Miscellaneous	279,500	279,500	386,068	106,568
Total budgetary basis receipts.	<u>1,357,047</u>	<u>1,357,047</u>	<u>2,271,048</u>	<u>914,001</u>
Budgetary basis disbursements:				
Current:				
General government	1,659,689	1,659,689	1,338,250	321,439
Public safety	136,227	136,227	114,645	21,582
Public works	540,000	540,000	548,609	(8,609)
Health	75,000	75,000	67,143	7,857
Human services	10,000	10,000	17,066	(7,066)
Conservation - recreation	53,552	53,552	5,760	47,792
Miscellaneous	79,500	79,500	77,406	2,094
Capital outlay	327,192	327,192	365,159	(37,967)
Total budgetary basis disbursements	<u>2,881,160</u>	<u>2,881,160</u>	<u>2,534,038</u>	<u>347,122</u>
Excess of budgetary basis expenditures over budgetary basis receipts	<u>(1,524,113)</u>	<u>(1,524,113)</u>	<u>(262,990)</u>	<u>1,261,123</u>
Other financing uses:				
Transfers (out).	<u>(150,000)</u>	<u>(150,000)</u>	<u>(33,780)</u>	<u>116,220</u>
Total other financing uses	<u>(150,000)</u>	<u>(150,000)</u>	<u>(33,780)</u>	<u>116,220</u>
Change in fund cash balance before special item	<u>(1,674,113)</u>	<u>(1,674,113)</u>	<u>(296,770)</u>	<u>1,377,343</u>
Special item:				
Refund of inheritance tax	<u>(889,133)</u>	<u>(889,133)</u>	<u>(639,406)</u>	<u>249,727</u>
Total special items.	<u>(889,133)</u>	<u>(889,133)</u>	<u>(639,406)</u>	<u>249,727</u>
Net change in fund cash balance	<u>(2,563,246)</u>	<u>(2,563,246)</u>	<u>(936,176)</u>	<u>1,627,070</u>
Fund cash balance at beginning of year	<u>2,253,455</u>	<u>2,253,455</u>	<u>2,253,455</u>	<u>-</u>
Prior year encumbrances appropriated	<u>310,296</u>	<u>310,296</u>	<u>310,296</u>	<u>-</u>
Fund cash balance at end of year	<u>\$ 505</u>	<u>\$ 505</u>	<u>\$ 1,627,575</u>	<u>\$ 1,627,070</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 ROAD AND BRIDGE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 944,356	\$ 944,356	\$ 940,222	\$ (4,134)
Intergovernmental	310,045	310,045	308,842	(1,203)
Miscellaneous	-	-	9,767	9,767
Total budgetary basis receipts	<u>1,254,401</u>	<u>1,254,401</u>	<u>1,258,831</u>	<u>4,430</u>
Budgetary basis disbursements:				
Current:				
Public works	1,163,440	1,163,440	1,243,969	(80,529)
Capital outlay	<u>213,000</u>	<u>213,000</u>	<u>8,852</u>	<u>204,148</u>
Total budgetary basis disbursements.	<u>1,376,440</u>	<u>1,376,440</u>	<u>1,252,821</u>	<u>123,619</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(122,039)</u>	<u>(122,039)</u>	<u>6,010</u>	<u>128,049</u>
Other financing uses:				
Transfers (out).	<u>(71,830)</u>	<u>(71,830)</u>	<u>-</u>	<u>71,830</u>
Total other financing uses	<u>(71,830)</u>	<u>(71,830)</u>	<u>-</u>	<u>71,830</u>
Net change in fund cash balance	(193,869)	(193,869)	6,010	199,879
Fund cash balance at beginning of year	182,190	182,190	182,190	-
Prior year encumbrances appropriated	<u>11,679</u>	<u>11,679</u>	<u>11,679</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,879</u>	<u>\$ 199,879</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 1,258,796	\$ 1,258,796	\$ 1,253,715	\$ (5,081)
Intergovernmental	490,698	490,698	489,660	(1,038)
Fines, forfeitures and penalties	-	-	450	450
Miscellaneous	25,000	25,000	38,073	13,073
Total budgetary basis receipts	<u>1,774,494</u>	<u>1,774,494</u>	<u>1,781,898</u>	<u>7,404</u>
Budgetary basis disbursements:				
Current:				
General government	29,000	29,000	27,072	1,928
Public safety	1,845,582	1,845,582	1,851,529	(5,947)
Capital outlay	98,660	98,660	-	98,660
Total budgetary basis disbursements.	<u>1,973,242</u>	<u>1,973,242</u>	<u>1,878,601</u>	<u>94,641</u>
Net change in fund cash balance	(198,748)	(198,748)	(96,703)	102,045
Fund cash balance at beginning of year	198,723	198,723	198,723	-
Prior year encumbrances appropriated	<u>25</u>	<u>25</u>	<u>25</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,045</u>	<u>\$ 102,045</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Taxes	\$ 1,539,078	\$ 1,539,078	\$ 1,532,882	\$ (6,196)
Intergovernmental	593,874	593,874	590,900	(2,974)
Contributions and donations	-	-	2,495	2,495
Miscellaneous	3,000	3,000	22,522	19,522
Total budgetary basis receipts	<u>2,135,952</u>	<u>2,135,952</u>	<u>2,148,799</u>	<u>12,847</u>
Budgetary basis disbursements:				
Current:				
General government	32,500	32,500	34,644	(2,144)
Public safety	2,113,715	2,113,715	1,958,920	154,795
Capital outlay	111,511	111,511	64,737	46,774
Total budgetary basis disbursements	<u>2,257,726</u>	<u>2,257,726</u>	<u>2,058,301</u>	<u>199,425</u>
Net change in fund cash balance	(121,774)	(121,774)	90,498	212,272
Fund cash balance at beginning of year	94,263	94,263	94,263	-
Prior year encumbrances appropriated	27,511	27,511	27,511	-
Fund cash balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,272</u>	<u>\$ 212,272</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)
AMBULANCE AND EMERGENCY MEDICAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Intergovernmental	\$ -	\$ -	\$ 2,000	2,000
Charges for services	545,000	545,000	681,928	136,928
Miscellaneous.	5,000	5,000	2,537	(2,463)
Total budgetary basis receipts	<u>550,000</u>	<u>550,000</u>	<u>686,465</u>	<u>136,465</u>
Budgetary basis disbursements:				
Current:				
Public safety	871,198	871,198	785,759	85,439
Capital outlay.	74,622	74,622	48,865	25,757
Total budgetary basis disbursements.	<u>945,820</u>	<u>945,820</u>	<u>834,624</u>	<u>111,196</u>
Net change in fund cash balance	(395,820)	(395,820)	(148,159)	247,661
Fund cash balance at beginning of year	327,838	327,838	327,838	-
Prior year encumbrances appropriated	<u>68,649</u>	<u>68,649</u>	<u>68,649</u>	<u>-</u>
Fund cash balance at end of year.	<u>\$ 667</u>	<u>\$ 667</u>	<u>\$ 248,328</u>	<u>\$ 247,661</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 1 - DESCRIPTION OF THE TOWNSHIP

The Howland Township, Trumbull County, Ohio (the "Township") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides the following services: police and fire protection, road and bridge maintenance, cemetery maintenance and emergency medical services as well as general governmental services.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Township's accounting policies:

A. Basis of Presentation

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

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

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

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

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

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary. The Township has no proprietary funds.

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

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

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

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

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

Ambulance and Emergency Medical - This fund accounts for revenues, primarily charges for services, for ambulance and emergency medical services.

Other governmental funds of the Township are used to account 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 Township does not have any agency funds.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

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

E. Cash and Cash Equivalents

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

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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 2011, the Township invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on December 31, 2011.

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 2011 were \$5,277 which includes \$2,005 assigned from other Township funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have any restricted assets at December 31, 2011.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 5 and 6, the employer contributions include portions for pension benefits and for postretirement health care benefits.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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

K. Long-term Obligations

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

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for public safety, public works, health and human services, street maintenance and construction and capital projects.

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

M. Fund Balance

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

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

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

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

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

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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

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.

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Township had \$639,406 in inheritance tax refunds due to the County. This expenditure is recorded as a special item on the basic financial statements. The Township had no extraordinary items during 2011.

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;

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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 debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Fiscal Officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2011, the carrying amount of all Township deposits was \$2,965,773. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2011, \$2,261,232 of the Township's bank balance of \$3,100,000 was exposed to custodial risk as discussed below, while \$838,768 was covered by the FDIC.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

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

B. Investments

As of December 31, 2011, the Township had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 6,362	\$ 6,362

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

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

Concentration of Credit Risk: The Township places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Township at December 31, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 6,362	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Assets

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 net assets as of December 31, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,965,773
Investments	<u>6,362</u>
Total	<u>\$ 2,972,135</u>

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per statement of net assets</u>	
Governmental activities	<u>\$2,972,135</u>

NOTE 4 - PROPERTY TAX

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Beginning in calendar year 2009 tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property tax collections in calendar year 2011 represent delinquent collections.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on telephone and telecommunications property was eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Township due to the phasing out of the tax. In calendar years 2010-2011, the Township was fully reimbursed for the lost revenue. In calendar years 2012-2017, the reimbursements will be phased out.

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, 2011**

NOTE 4 - PROPERTY TAX - (Continued)

The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 334,615,240
Commercial/industrial/mineral	91,539,620

Public utility

Real	243,090
Personal	<u>6,459,620</u>

Total assessed value	<u><u>\$ 432,857,570</u></u>
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NOTE 5 - PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2011 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 11.00% and 11.60%, respectively. The Township's contribution rate for 2011 was 14.00%, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 18.10% of covered payroll.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 5 - PENSION PLANS - (Continued)

The Township's contribution rate for pension benefits for members in the Traditional Plan for 2011 was 10.00%. The Township's contribution rate for pension benefits for members in the Combined Plan for 2011 was 7.95%. For those plan members in law enforcement and public safety pension contributions were 14.10%. The Township's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$263,429, \$237,174, and \$195,348, respectively; 91.51% has been contributed for 2011 and 100% has been contributed for 2010 and 2009. Contributions to the member-directed plan for 2011 were \$3,011 made by the Township and \$2,151 made by the plan members.

B. Ohio Police and Fire Pension Fund

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

Funding Policy - Plan members are required to contribute 10.0% of their annual covered salary, while the Township is required to contribute 19.50% and 24.00% for police officers and firefighters, respectively. Contribution rates are established by State statute. For 2011, the portion of the Township's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The Township's required contributions for pension obligations to OP&F for firefighters was \$241,274 for the year ended December 31, 2011, \$239,933 for the year ended December 31, 2010, and \$221,170 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 71.48% has been contributed for firefighters for 2011.

NOTE 6 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan for 2011 was 4.00%. The portion of employer contributions allocated to fund post-employment healthcare for members in the Combined Plan for 2011 was 6.05%.

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

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$89,114, \$112,454, and \$140,977, respectively; 91.51% has been contributed for 2011 and 100% has been contributed for 2010 and 2009.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

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

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

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

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

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 6 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The Township's contributions to OP&F which were allocated to fund post-employment healthcare benefits for firefighters was \$94,411 for the year ended December 31, 2011, \$93,887 for the year ended December 31, 2010, and \$105,481 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. 71.48% has been contributed for firefighters for 2011.

NOTE 7 - 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000, as noted above.

HOWLAND TOWNSHIP, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 7 - RISK MANAGEMENT - (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$250,000 up to \$600,000,000 per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop-loss is reached by payments of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss for 2010 (the latest information available) was \$3,000,000.

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 retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2010</u>	<u>2009</u>
Assets	\$ 35,855,252	\$ 38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Retained earnings	<u>\$ 25,190,528</u>	<u>\$ 26,101,322</u>

At December 31, 2010 (the latest information available), liabilities above include approximately \$10 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2010 (the latest information available). These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$56,011. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Contributions to OTARMA</u>	
2009	\$52,227
2010	\$56,011
2011	\$59,992

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 7 - RISK MANAGEMENT - (Continued)

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

NOTE 8 - CONTINGENT LIABILITIES

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

NOTE 9 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2011, consisted of the following as reported on the fund financial statements:

Transfers from general fund to:

Nonmajor governmental funds	<u>\$ 33,780</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.15.

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

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, fire district fund and ambulance and emergency medical 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 a reservation of fund balance (cash basis). At December 31, 2011, the encumbrances outstanding at year end (budgetary basis) amounted to \$49,394 for the General Fund, \$30,140 for the Road and Bridge Fund, \$91,914 for the Fire District Fund and \$450 for the Ambulance and Emergency Medical Fund.

HOWLAND TOWNSHIP, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLES

For 2011, the Township has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

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>	Year-End <u>Encumbrances</u>
General	\$ 49,394
Road and bridge	30,140
Fire district	91,914
Ambulance and emergency medical	450
Other governmental funds	38,664
Total	<u>\$ 210,562</u>



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' 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 NE
Warren, Ohio 44484

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howland Township, Trumbull County, (the Township) as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 29, 2012, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *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 more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

June 29, 2012



Dave Yost • Auditor of State

HOWLAND TOWNSHIP

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 09, 2012