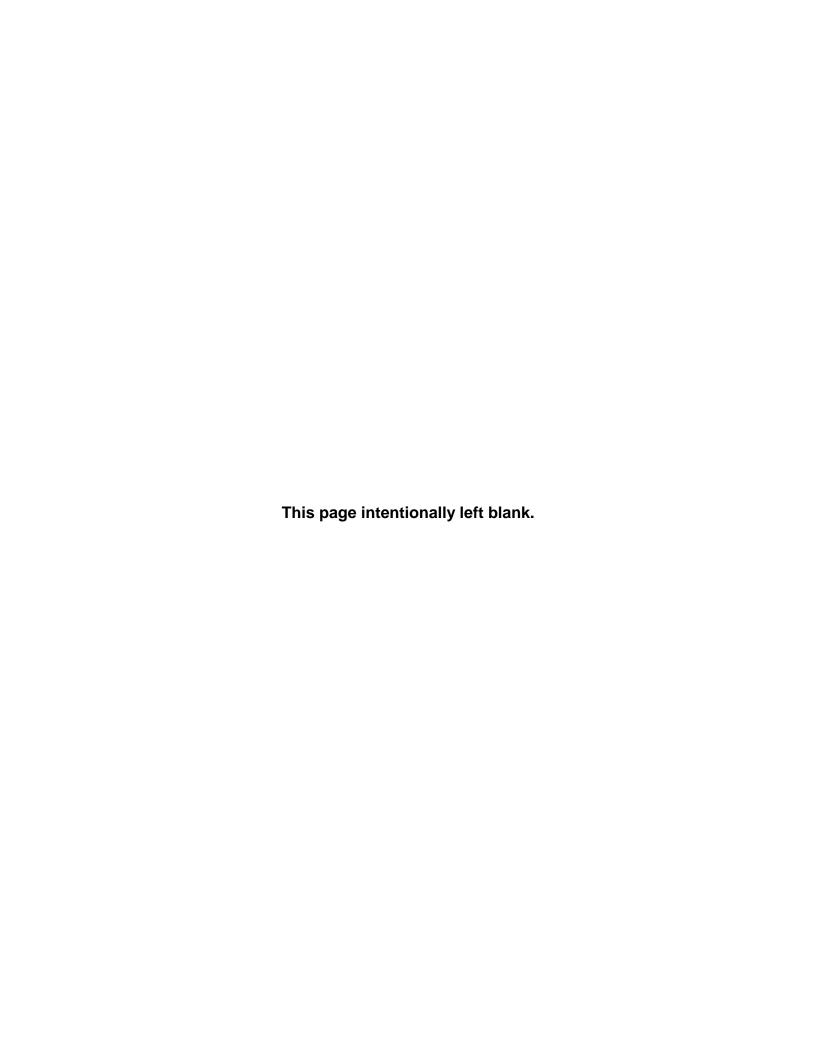




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#### INDEPENDENT ACCOUNTANTS' REPORT

Hiram Township Portage County 1186 Alpha Road P.O. Box 1872 Hiram. Ohio 44234

#### 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 Hiram Township, Portage County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities and each major fund, and the aggregate remaining fund information of Hiram Township, Portage County, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, the Gasoline Tax Funds, the Road Levy (3 mill) Fund and the Road Levy (2 mill) Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503 Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949 www.auditor.state.oh.us Hiram Township Portage County Independent Accountants Report Page-2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Betty Montgomery** Auditor of State

Butty Montgomeny

September 22, 2006

Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2005 Unaudited

The discussion and analysis of the Hiram Township (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key Financial Highlights for 2005 are as follows:

Revenues - The Township passed of a 3 mill. replacement Road and Bridge Levy in November.

Expenditures - Unusual heavy snow storms in Jan, Feb, and March required the purchase of more salt and heavy overtime for the road crew.

Investments - Trustees set up investment policy to set aside no more than 5% of the general fund carryover annually and all personal estate proceeds into a CD. The purpose of the CD is to purchase land only. These funds return to the general fund if not used for that purpose.

#### **Using the Basic Financial Statements**

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

#### **Report Components**

Government-Wide Financial Statement: The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

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

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

### **Basis of Accounting**

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

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

Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2005 Unaudited

#### Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

Township only has Governmental type of activity, thus the statement of net assets and the statement of activities will show only Governmental types activities:

#### Governmental activities:

All of the Township's basic services are reported here. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

#### Reporting the Township's Most Significant Funds

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

Governmental Funds – All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, the Gasoline Tax Fund , the Road Levy (3 mill)Fund and the Road Levy (2 mill) Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2005 Unaudited

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004:

#### (Table 1) **Net Assets Governmental Activities** 2005 2004 **Assets Current and Other Assets** \$ 709,061 \$ 577,779 **Total Assets** 709,061 577,779 **Net Assets** Restricted for Land Acquisition 48,000 0 Permanent Fund: Trust Hofman Expendable 35 58 Nonexpendable 1,200 1,200 339,309 Other Purpose 429,686 Unrestricted 230,117 237,235 **Total Net Assets** \$ 709,061 \$ 577,779

As mentioned previously, net assets of governmental activities increased \$131,284 or 23 percent during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- Increases in receipts were modest at best. Increases in the State Gasoline Tax over the past couple
  of years have helped to offset increased costs.
- The passing of the 3 mill Road and Bridge levy as a replacement not a renewal.

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Hiram Township Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2005 Unaudited

# (Table 2) Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$12,255
Operating Grants and Contributions	168,133
Total Program Receipts:	180,388
General Receipts:	
Property and Other Local Taxes	518,777
Gants and Entitlements Not Restricted	83,843
Proceeds Land Acquisition	48,000
Miscellaneous	11,078
Total General Receipts	661,698
Total Receipts	842,086
Disbursements: General Government Public Safety Public Works Other Capital Outlay Debt Service Principal Interest	311,626 106,198 191,313 48,000 36,265 15,388 2,014
Total Disbursements	710,804
Excess (Deficient) Before Transfers	131,282
Increase (Decrease) In Net Assets	131,282
Net Assets, January 1, 2005	577,779
Net Assets, December 31, 2005	\$709,061

Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2005 Unaudited

Program receipts represent only 21 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 79 percent of the Township's total receipts, and of this amount, over 50 percent are property taxes. State and federal grants and entitlements make up the balance of the Government's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, and the Fiscal Officer salaries and benefits

Public Safety is the cost of EMS contracts and Works is the costs of maintaining roads.

#### **Governmental Activities**

The Statement of Activities lists the major services provided by the Township. Included are the costs of providing these services. The major program disbursements for Township activities are for capital road projects, road and bridge maintenance, fire protection, and administration of the Township.

(Table 3)
Governmental Activities

	2005	2005
	Total Cost	Net Cost
	of Service	of Service
General Government	\$311,626	\$248,314
Public Safety	106,198	106,198
Public Works	191,313	110,646
Other	48,000	11,591
Capital Outlay	36,265	36,265
Debt Service		
Principal	15,388	15,388
Interest	2,014	2,014
Total Disbursements	\$710,804	\$530,416

The dependence upon property tax receipts is apparent as over 73 percent of governmental activities are supported through these general receipts.

### The Township's Funds

Total governmental funds had receipts of \$842,086 and disbursements of \$710,804. The greatest change within governmental funds occurred within the Gasoline Tax. The fund balances for year 2005 saw fund balances remain stable with increases in most funds.

Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2005 Unaudited

#### General Fund Budgeting Highlights

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.

During 2005, the Township did not amend its General Fund Budget.

Final disbursements were budgeted at \$381,650 while the actual disbursements were \$234,887. The result was a \$146,763 decrease in spending which was in the range of expectation.

#### **Debt Administration**

As of December 31, 2005, the Township has a total of two outstanding loans totaling \$36,223 Refer to Note 10 in the Financial Statements Notes for details.

### 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 any questions about this report or need additional financial information, contact Doug Brewer, Fiscal Office, Hiram Township 11866 Alpha Road, P.O. Box 1827, Hiram, Ohio,44234

# **Hiram Township, Portage County**

Statement of Net Assets - Cash Basis December 31, 2005

	Governmental Activities
Assets Equity in Pooled Cash and Cash Equivalents	\$709,061
Total Assets	\$709,061
Not Appete	
Net Assets Restricted for:	
Land Acquisition (General Fund) Permanent Fund: Trust Hoffman	\$48,000
Expendable	58
Nonexpendable	1,200
Other Purposes (Special Revenue)	429,686
Unrestricted (General Fund)	230,117
Total Net Assets	\$709,061

Statement of Activities - Cash Basis For The Year Ending December 31, 2005

		Program	Cash Receipts	Net (Disbursements) Re	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities					
General Government	\$311,626	\$22	\$63,290	(\$248,314)	(\$248,314)
Public Safety	106,198	0	0	(106,198)	(106,198)
Public Works	191,313	4,627	76,040	(110,646)	(110,646)
Other	48,000	7,606	28,803	(11,591)	(11,591)
Capital Outlay Debt Service:	36,265	0	0	(36,265)	(36,265)
Principal	15,388	0	0	(15,388)	(15,388)
Interest	2,014	0	0	(2,014)	(2,014)
Total Governmental Activities	710,804	12,255	168,133	(530,416)	(530,416)
Total	\$710,804	\$12,255	\$168,133	(\$530,416)	(\$530,416)
	General Receipts				
	Property Taxes			\$514,265	\$514,265
	Other Taxes			4,512	4,512
	Grants and Entitlements r	not Restricted to Sp	ecific Programs	83,843	83,843
	Proceeds Land Acquistion	ı		48,000	48,000
	Miscellaneous			11,078	11,078
	Total General Receipts			661,698	661,698
	Change in Net Assets			131,282	131,282
	Net Assets Beginning of \	/ear		577,779	577,779
	Net Assets End of Year			\$709,061	\$709,061

HIRAM TOWNSHIP, PORTAGE COUNTY
Statement of Cash Basis Assets and Fund Balances

Governmental Funds December 31, 2005

	General	Gasoline Tax Fund	Road Levy (2 mill) Fund	Road Levy (3 mill) Fund	Other Governmental Funds	Total Governmental Funds
Assets Equity in Pooled Cash and Cash Equivalents Total Assets	\$278,118 \$278,118	\$69,657 \$69,657	\$82,376 \$82,376	\$86,640 \$86,640	\$192,270 \$192,270	\$709,061 \$709,061
Fund Balances						
Reserved:						
Land Acquisition	48,000					48,000
Permanent Fund					1,200	1,200
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	230,118					230,118
Special Revenue Funds		69,657	82,376	86,640	191,012	429,685
Permanent Fund					58	58
Total Fund Balances	\$278,118	\$69,657	\$82,376	\$86,640	\$192,270	\$709,061

Hiram Township, Portage County
Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds For The Year Ended December 31, 2005

<u>-</u>	General	Gasoline Tax Fund	Road Levy (2 mill) Fund	Road Levy (3 mill) Fund	Other Governmental Funds	Total
Receipts Property and Other Local Taxes	\$47,706	\$0	\$114,444	\$113,880	\$242,747	\$518,777
Licenses, Permits and Fees	φ47,700	0	0	0	7,363	7,363
Intergovernmental	159,194	73,396	0	0	5,894	238,484
Earnings on Investments	13,194	1,429	0	0	333	14,956
Miscellaneous _	7,676	0	225	0	6,605	14,506
Total Receipts	227,770	74,825	114,669	113,880	262,942	794,086
Disbursements Current:						
General Government	186,887	0	52,999	70,553	1,187	311,626
Public Safety	0	0	0	0	106,198	106,198
Public Works	0	67,763	0	7,717	115,833	191,313
Capital Outlay	0	0	36,265	0	0	36,265
Debt Service:						
Principal Retirement	0	0	0	0	15,388	15,388
Interest and Fiscal Charges	0	0	0	0	2,014	2,014
Total Disbursements	186,887	67,763	89,264	78,270	240,620	662,804
Excess of Receipts Over (Under) Disburg	40,883	7,062	25,405	35,610	22,322	131,282
Other Financing Sources (Uses)						
Other Financing Sources	48,000	0	0	0	0	48,000
Other Financing Uses	(48,000)	0	0	0	0	(48,000)
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Net Change in Fund Balances	40,883	7,062	25,405	35,610	22,322	131,282
Fund Balances Beginning of Year	237,235	62,595	56,971	51,030	169,948	577,779
Fund Balances End of Year	\$278,118	\$69,657	\$82,376	\$86,640	\$192,270	\$709,061

Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis General Fund For the Year Ended December 31, 2005

	Budgeted A	Amounts		(Optional) Variance with Final Budget
	Original	Final	Actual	Positive (Nagativa)
Receipts	Original	Filiai	Actual	(Negative)
Property and Other Local Taxes	\$49,915	\$50,830	\$47,706	\$3,124
Intergovernmental	78,000	96,012	159,194	(63,182)
Earnings on Investments	0	0	13,194	(13,194)
Miscellaneous	0	0	7,676	(7,676)
Total receipts	127,915	146,842	227,770	(80,928)
Disbursements				
Current:				
General Government	308,650	308,650	186,887	121,763
Capital Outlay	25,000	25,000	0	25,000
Total Disbursements	333,650	333,650	186,887	146,763
Excess of Receipts Over (Under) Disbursements	(205,735)	(186,808)	40,883	(227,691)
Other Financing Sources (Uses)				
Other Financing Sources	0	0	48,000	(48,000)
Other Financing Uses	0	(48,000)	(48,000)	0
Total Other Financing Sources (Uses)	0	(48,000)	0	(48,000)
Net Change in Fund Balance	(205,735)	(234,808)	40,883	(275,691)
Fund Balance Beginning of Year	237,235	237,235	237,235	0
Fund Balance End of Year	\$31,500	\$2,427	\$278,118	(\$275,691)

Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis Gasoline Fund For the Year Ended December 31, 2005

				(Optional)
	Budgeted A	A mounts		Variance with Final Budget
	Budgeted F	Amounts		Positive
	Original	Final	Actual	(Negative)
Receipts				
Intergovernmental	\$31,827	\$32,000	\$73,396	(\$41,396)
Earnings on Investments	0	0	1,429	1,429
Total receipts	31,827	32,000	74,825	(42,825)
<b>Disbursements</b> Current:				
Public Works	90,000	90,000	67,763	22,237
Total Disbursements	90,000	90,000	67,763	22,237
Excess of Receipts Over (Under) Disbursements	(58,173)	(58,000)	7,062	(65,062)
Net Change in Fund Balance	(58,173)	(58,000)	7,062	(65,062)
Fund Balance Beginning of Year	62,595	62,595	62,595	0
Fund Balance End of Year	\$4,422	\$4,595	\$69,657	(\$65,062)

Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis Road Levy (2 Mill) Fund For the Year Ended December 31, 2005

				(Optional)
				Variance with
	Budgeted A	Amounts		Final Budget
				Positive
	Original	Final	Actual	(Negative)
Receipts				
Property and Other Local Taxes	\$94,712	\$96,446	\$114,444	(\$17,998)
Miscellaneous	0	0	225	(225)
Total receipts	94,712	96,446	114,669	(18,223)
Disbursements				
Current:				
General Government	65,000	65,000	52,999	12,001
Capital Outlay	65,000	55,000	36,265	18,735
Total Disbursements	130,000	120,000	89,264	30,736
Excess of Receipts Over (Under) Disbursements	(35,288)	(23,554)	25,405	(48,959)
Net Change in Fund Balance	(35,288)	(23,554)	25,405	(48,959)
Fund Balance Beginning of Year	56,971	56,971	56,971	0
Fund Balance End of Year	\$21,683	\$33,417	\$82,377	(\$48,959)

Statement of Receipts, Disbursements and Changes In Fund Balance - Budget and Actual -Budget Basis Road Levy (3 Mill) Fund For the Year Ended December 31, 2005

	Budgeted Amounts					
	Original	Final	Actual	Positive (Negative)		
Receipts			_			
Property and Other Local Taxes	\$102,732	\$48,223	\$113,880	(\$65,657)		
Total receipts	102,732	48,223	113,880	(65,657)		
<b>Disbursements</b> Current:						
General Government	80,000	80,000	70,553	9,447		
Public Works	50,000	40,000	7,717	32,283		
Total Disbursements	130,000	120,000	78,270	41,730		
Excess of Receipts Over (Under) Disbursements	(27,268)	(71,777)	35,610	(107,387)		
Net Change in Fund Balance	(27,268)	(71,777)	35,610	(107,387)		
Fund Balance Beginning of Year	51,030	51,030	51,030	0		
Fund Balance End of Year	\$23,762	(\$20,747)	\$86,640	(\$107,387)		

#### Note 1 – Reporting Entity

The Hiram Township, Portage County, Ohio (the Township), is a body politic and corporate established in 1817 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Clerk.

The reporting entity is comprised solely of the primary government.

#### A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of Hiram to provide fire protection and emergency medical services.

#### Note 2 - Summary of Significant Accounting Policies

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

#### A. Basis of Presentation

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

#### Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government The Township only has governmental activities. 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.

### 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 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 all governmental funds.

#### Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's only major governmental fund are the General Fund, the Gasoline Tax Funds, the Road Levy (3 mill) Fund and the Road Levy (2 mill) Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

### 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, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, 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 resolution 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.

#### Note 2 – Summary of Significant Accounting Policies (Continued)

#### D. Budgetary Process (Continued)

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

The appropriations resolution 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 resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

#### E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. The Township has no investments with an initial maturity of more than three months.

During 2005, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2005 was \$13,194 and interest receipts of \$1,762 were credited to other Township Funds (i.e., Motor Vehicle License (MVL), Gas Tax & Permissive MVL and Permanent Funds).

#### F. Inventory and Prepaid Items

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

#### G. Capital Assets

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

#### H. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in 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.

#### Note 2 - Summary of Significant Accounting Policies (continued)

### 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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

#### K. Long-Term Obligations

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

#### L. Net 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 land acquisition and the Hoffman trust fund.

#### M. Fund Balance Reserves

The Township's reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for land acquisition and the permanent fund,

#### Note 3 – Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with non-major funds aggregated and presented in a single column, rather than a column for each fund type.

#### Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general, gasoline tax, road levy (3 mill) and the road levy (2 mill) funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

#### Note 5 – Deposits and Investments

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

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

#### Note 5 - Deposits and Investments (continued)

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

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

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

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

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.

As of December 31, 2005, the Township had the following investments:

	Carrying Value	Maturity
Certificate of Deposit	\$48,000	3 - Months

**Interest Rate Risk** As a means to limiting its exposure to fair value losses caused by raising interest rates, the Township investment policy requires that operating funds to invested primarily in short-term investments maturing in a relatively short period of time from the date of purchase (a three months term).

#### Note 5 - Deposits and Investments (continued)

**Credit Risk** The Township investment policy limits its investments choices to those investments maturing within a relatively short period of time.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

Concentration Credit Risk The Township places no limit on the amount it may invest in short term investments.

#### **Note 6 - Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$12.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$54,209,700
Manufactured Homes	22,144
All Other	276,540
Public Utility Property	
Personal	1,676,260
Tangible Personal Property	293,250
Total Assessed Value	\$56,477,894

#### Note 7 - Risk Management

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

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

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

#### Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

#### **Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

#### **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, 2005 and 2004:

#### Note 7 - Risk Management (Continued)

#### Financial Position (continued)

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241
Property Coverage	2005	2004
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$30,144.

#### Note 8 - Defined Benefit Pension Plan

#### A. Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2005, the members of all three plans, were required to contribute 8.5 percent of their annual covered salaries 
The Township's contribution rate for pension benefits for 2005 was 13.54 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

#### Note 8 - Defined Benefit Pension Plan (Continued)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$19,925, \$19,508, and \$18,065 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$19,925 made by the Township and \$17,638 made by the plan members.

#### Note 9 - Post Employment Benefits

#### A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

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

#### Note 10 - Debt

The Township's long-term debt activity including interest for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31,2004	Additions	Reductions	Balance December 31,2005
Backhoe Loan	4.29%	\$18,836	\$0	\$9,671	\$ 9,165
Truck Loan	3.80%	34,789	0	7,731	27,058
Total		\$53,625	\$0	\$17,402	\$36,223

## Note 10 - Debt (Continued)

The backhoe loan was to finance a backhoe for Township road maintenance.

The truck loan was to finance a truck for the Township's Road Department.

This debt is backed by the full faith of the Township.

The following is a summary of the Township's future annual debt service requirements:

	Backho	Backhoe Loan		Truck Loan	
	Principal	Interest	Principal	Interest	
2006	\$8,800	\$365	\$6,841	\$890	
2007			7,103	628	
2008			7,375	356	
2009			3,793	72	
	\$8,800	\$365	\$25,112	\$1,946	



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

Hiram Township Portage County 11866 Alpha Road P.O. Box 1827 Hiram, Ohio 44234

To the Board of Trustees:

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Hiram Township, Portage County (the Township) as of and for the year ended December 31, 2005 which collectively comprise the Township's basic financial statements, and have issued our report thereon dated September 22, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. Government Auditing Standards considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated September 22, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **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*. In a separate letter to the Township's management dated September 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Hiram Township
Portage County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

**Betty Montgomery** Auditor of State

Betty Montgomery

September 22, 2006



88 East Broad Street P.O. Box 1140 Columbus, Ohio 43216-1140

Telephone 614-466-4514

800-282-0370

Facsimile 614-466-4490

### **HIRAM TOWNSHIP**

## **PORTAGE 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.

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED DECEMBER 12, 2006