

HIRAM TOWNSHIP

PORTAGE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2011 and 2010

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Trustees
Hiram Township
P.O. Box 1827
Hiram, Ohio 44234-1827

We have reviewed the *Report of Independent Accountants* of Hiram Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2010 to December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Hiram Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 6, 2012

This page intentionally left blank.

**HIRAM TOWNSHIP
PORTAGE COUNTY
December 31, 2011 and 2010**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1-2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	4
Notes to the Financial Statements	5-12
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13-14
Schedule of Findings.....	15-18
Schedule of Prior Audit Findings.....	19

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Hiram Township
Portage County
P.O. Box 1827
Hiram, Ohio 44234-1827

To the Board of Trustees:

We have audited the accompanying financial statements of Hiram Township, Portage County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

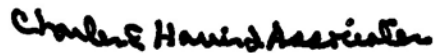
Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Hiram Township, Portage County, as of December 31, 2011 and 2010 and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 10, the Township changed their financial statement presentation from the cash basis of accounting GASB 34 look-alike presentation to the Auditor of State regulatory basis. Also, as described in Note 3, during 2010 Hiram 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 October 25, 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.



Charles E. Harris & Associates, Inc.

October 25, 2012

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 50,741	\$ 600,278	\$ -	\$ 651,019
Licenses, Permits and Fees	2,865	176	-	3,041
Intergovernmental	165,585	137,074	-	302,659
Earnings on Investments	11,465	1,640	2	13,107
<i>Total Cash Receipts</i>	<u>230,656</u>	<u>739,168</u>	<u>2</u>	<u>969,826</u>
Cash Disbursements				
Current:				
General Government	227,390	-	-	227,390
Public Safety	-	191,454	-	191,454
Public Works	11,646	389,522	-	401,168
Health	-	640	-	640
Capital Outlay	-	109,899	-	109,899
Debt Service:				
Principal Retirement	-	27,050	-	27,050
Interest and Fiscal Charges	-	5,770	-	5,770
<i>Total Cash Disbursements</i>	<u>239,036</u>	<u>724,335</u>	<u>-</u>	<u>963,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(8,380)	14,833	2	6,455
Other Financing Receipts (Disbursements)				
Other Financing Sources	3,002	-	-	3,002
<i>Total Other Financing Receipts (Disbursements)</i>	<u>3,002</u>	<u>-</u>	<u>-</u>	<u>3,002</u>
<i>Net Change in Fund Cash Balances</i>	(5,378)	14,833	2	9,457
<i>Fund Cash Balances, January 1</i>	<u>604,218</u>	<u>666,611</u>	<u>1,272</u>	<u>1,272,101</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,200	1,200
Restricted	-	681,444	74	681,518
Unassigned (Deficit)	598,840	-	-	598,840
<i>Fund Cash Balances, December 31</i>	<u>\$ 598,840</u>	<u>\$ 681,444</u>	<u>\$ 1,274</u>	<u>\$ 1,281,558</u>

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

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 49,562	\$ 578,260	\$ -	\$ 627,822
Licenses, Permits and Fees	1,700	250	-	1,950
Intergovernmental	172,607	100,238	-	272,845
Earnings on Investments	12,729	872	-	13,601
<i>Total Cash Receipts</i>	<u>236,598</u>	<u>679,620</u>	<u>-</u>	<u>916,218</u>
Cash Disbursements				
Current:				
General Government	252,022	-	-	252,022
Public Safety	-	221,138	-	221,138
Public Works	32,811	394,552	-	427,363
Capital Outlay	-	150,299	-	150,299
Debt Service:				
Principal Retirement	-	13,143	-	13,143
Interest and Fiscal Charges	-	3,267	-	3,267
<i>Total Cash Disbursements</i>	<u>284,833</u>	<u>782,399</u>	<u>-</u>	<u>1,067,232</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(48,235)	(102,779)	-	(151,014)
Other Financing Receipts (Disbursements)				
Proceeds of Loan	-	145,225	-	145,225
Other Financing Sources	123	-	-	123
<i>Total Other Financing Receipts (Disbursements)</i>	<u>123</u>	<u>145,225</u>	<u>-</u>	<u>145,348</u>
<i>Net Change in Fund Cash Balances</i>	(48,112)	42,446	-	(5,666)
<i>Fund Cash Balances, January 1</i>	<u>652,330</u>	<u>624,165</u>	<u>1,272</u>	<u>1,277,767</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,200	1,200
Restricted	-	666,611	72	666,683
Unassigned	604,218	-	-	604,218
<i>Fund Cash Balances, December 31</i>	<u>\$ 604,218</u>	<u>\$ 666,611</u>	<u>\$ 1,272</u>	<u>\$ 1,272,101</u>

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

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Hiram Township, Portage County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Village of Hiram to provide fire protection and emergency medical services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Investments in STAR Ohio are recorded at share value.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Special Levy Road and Bridge Funds – These funds receive property taxes for maintaining and repairing Township roads and bridges.

EMS Levy Fund – This fund receives property tax monies for the contract agreement for EMS Services.

Fire Levy Fund – This fund receives property tax monies for the contract agreement for Fire Services.

3. Permanent Fund

The fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund.

Cemetery Nonexpendable Trust Fund – This fund maintain the corpus of the trust but the interest earned may be spent on cemetery maintenance.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 4.

F. Fund Balance

For December 31, 2010, fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2011	2010
Demand deposits	\$924,680	\$931,878
Savings account	356,878	340,223
Total deposits	\$1,281,558	\$1,272,101

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Township; or collateralized by the financial institution's public entity deposit pool.

3. Change in Accounting Principle and Restatement of Fund Balance

For fiscal year 2010, the Township reclassified the Zoning fund as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2009	GASB 54 Change in fund structure	Adjusted Fund Balance at December 31, 2009
General	\$647,173	\$5,157	\$652,330
Special Revenue	\$629,322	(\$5,157)	\$624,165

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,972	\$233,658	\$7,686
Special Revenue	823,011	784,965	(38,046)
Permanent	1	2	1
Total	\$1,048,984	\$1,018,625	(\$30,359)

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$803,500	\$239,036	\$564,464
Special Revenue	1,346,115	770,132	575,983
Permanent	0	0	0
Total	\$2,149,615	\$1,009,168	\$1,140,447

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$240,749	\$236,721	(\$4,028)
Special Revenue	766,271	824,845	58,574
Permanent	0	0	0
Total	\$1,007,020	\$1,061,566	\$54,546

2010 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$713,000	\$284,833	\$428,167
Special Revenue	1,212,000	782,399	429,601
Permanent	0	0	0
Total	\$1,925,000	\$1,067,232	\$857,768

5. Property Tax

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

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

5. Property Tax (Continued)

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Truck Loan	\$105,032	5%
Total	\$105,032	

The truck loan was to finance a truck for the Fire Department.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Truck Loan
2012	\$32,820
2013	32,820
2014	32,820
2015	16,410
Total	\$114,870

7. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS), except certain volunteer fire and rescue personnel who are covered under Social Security. OPERS is a cost-sharing multiple-employer defined benefit pension plan. The plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Assets	\$35,086,165	\$35,855,252
Liabilities	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Assets	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$9,802.

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.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

8. Risk Management (Continued)

Financial Position (Continued)

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$14,630	\$12,195

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

9. Contingent Liabilities/Subsequent Events

Management believes that there are no pending claims or lawsuits.

10. Change in Accounting Basis

In prior years, the Township had prepared their financial statements and related footnotes in accordance with the cash basis GASB 34 look-alike presentation. That accounting presentation segregated larger (major) funds from the smaller (non-major) funds. In 2010, the Township changed their financial statement presentation to the Auditor of State regulatory basis, which is similar to the cash basis of accounting. It also combines all related funds into separate columns (General Fund, Special Revenue Funds and Permanent Fund).

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Hiram Township
Portage County
P.O. Box 1827
Hiram, Ohio 44234-1827

To the Board of Trustees:

We have audited the financial statements of Hiram Township, Portage County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated October 25, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. For the year ended December 31, 2010, we noted the Township implemented Governmental Accounting Standard 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 opinions 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

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 several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2011-01 and 2011-03 through 2011-05.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Township in a separate letter dated October 25, 2012.

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



Charles E. Harris & Associates, Inc.
October 25, 2012

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

Finding Number 2011-01–Non-Compliance Citation and Material Weakness

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

During 2011 and 2010, the Township did not record, recorded incorrectly, or was missing the following documents.

2011

- Intergovernmental receipts in the General Fund were posted as Property and Other Local Taxes receipts.
- Interbank transfers in the General Fund were posted as Public Works disbursement and Intergovernmental receipts.
- Intergovernmental receipts in the NOPEC Grant Fund were posted as Miscellaneous receipts.
- Capital Outlay disbursements in the NOPEC Grant Fund were posted as Human Services.
- Capital Outlay for purchase of vehicle in the Road and Bridge Fund was posted as Public Works.
- Principal Retirement and Interest Charges were posted to Public Works in the EMS Levy Fund.
- Reduction of expenditures in the Road and Bridge Fund posted as Special Assessment.
- Earnings on Investment in the General and MVL funds were posted incorrectly.
- Various receipts and disbursements were missing back up documentation. These were verified through alternate procedures.
- Permanent appropriation resolution was missing.

2010

- Intergovernmental receipt in the General Fund was posted to Earnings on Investment.
- Interbank transfers in the General Fund were posted as General Government disbursement and Earnings on Investment receipt.
- Reduction of expenditures in the Road and Bridge Fund was posted as Property and Other Local Tax receipt.
- County auditor's fee deductions were posted to the incorrect funds and line items.
- General Government disbursements in the General Fund were posted to Public Works.
- Public Works disbursements in the Road and Bridge Fund were posted to Capital Outlay.
- Proceeds of loan for related to purchase of fire truck was not posted to the UAN.
- Principal Retirement and Interest Charges were posted to Public Safety in the Fire Levy Fund.
- Various receipts and disbursements were missing back up documentation. These were verified through alternate procedures.
- Permanent appropriation resolution was missing.

The financial statements and Township's records have been adjusted to properly reflect these transactions.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS – (continued)
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
--

Finding Number 2011-01–Non-Compliance Citation and Material Weakness (Continued)

We recommend that the Township implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers. Management could use the Ohio Township Handbook, the Uniform Accounting Network manual and other Auditor of State literature to assist in the classification of receipts and disbursements.

Management Response: The issues occurred under a previous fiscal officer. The current fiscal officer is working on correcting the issues.

Finding Number 2011-02–Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the Township's records. The Township did not resolve various differences between the adjusted bank balance and the cash balance reflected in the Township's accounting records. These differences were the result of various recording errors, omissions and incorrect recording of the money market account. The book balance was overstated at both December 31, 2010 and 2011. The financial statements and the Township's records have been adjusted accordingly.

Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

We recommend that the Township complete formal bank reconciliations for their general and savings accounts. If there are reconciling items, the Fiscal Officer should determine the accuracy of these items and update the accounting system and records timely. Trustees should then monitor the Township's monthly financial activity, determine their respective cash position and make sound decisions. Reconciliations should be reviewed by the governing body on a monthly basis and formally approved attesting to their accuracy and completeness and noted in the monthly minute meeting.

Management Response: The issues occurred under a previous fiscal officer. The current fiscal officer is working on correcting the issues.

Finding Number 2011-03–Non-Compliance Citation

Ohio Rev. Code Section 135.21 states that all interest earned must be credited to the General Fund of the subdivision with the following exceptions: interest earned on money derived from a motor vehicle license or fuel tax must follow the principal. Also, interest earned on the nonexpendable principal balance of a trust fund should follow the principal.

In 2011, we noted that the majority of the interest monies received by the Township was booked in the Motor Vehicle License Tax Fund. Interest should be allocated between the General Fund, Motor Vehicle License Tax Fund, Permissive Motor Vehicle Fund, and Gasoline Fund based on fund balances. The Township did not allocate interest earning to these funds in the proper amounts.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS – (continued)
December 31, 2011 and 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
--

Finding Number 2011-03–Non-Compliance Citation (Continued)

These amounts have been adjusted in the financial statements and the Township records.

We recommend that the Township properly allocate interest earnings based on the balances of these funds that are invested.

Management Response: The issues occurred under a previous fiscal officer. The current fiscal officer is working on correcting the issues.

Finding Number 2011-04–Non-Compliance Citation

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now Certificates” – If the fiscal officer can certify that both at the time that contract or order was made (“then”) and at the time that the fiscal officer was completing the certification (“now”), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of members of the legislative authority against any specific line item amount over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS – (continued)
December 31, 2011 and 2010**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)**

Finding Number 2011-04–Non-Compliance Citation (Continued)

The Township did not make the proper certification of funds in all instances. Fourteen of 58 selections tested during the audit period had the certifications after the obligation date or “then and now” certificates under \$3,000 that were not Board approved. We noted most of these items were due to departments ordering goods or services before completion of a purchase requisition or otherwise notifying the Fiscal Officer of such purchases.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability.

Management Response: The issues occurred under a previous fiscal officer. The current fiscal officer is working on correcting the issues.

Finding Number 2011-05–Non-Compliance Citation

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which the fund has been established. During 2010, the Township paid OTARMA for liability insurance for all assets from the Gasoline Fund. During 2011, the Township paid OPERS for all employees from the Road and Bridge Fund, including those who are not permitted to be paid from these funds. The following adjustments were made in the financial statements and the Township’s records.

2010			
General Fund - General Government		\$ 14,630	
Gasoline Tax Fund - Public Works			\$ 14,630

2011			
General Fund - General Government		\$ 14,392	
Road and Bridge Fund - Public Works			\$ 14,392

Management Response: The issues occurred under a previous fiscal officer. The current fiscal officer is working on correcting the issues.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2011 and 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-01	ORC Section 5705.36(A)(4) Estimated receipts higher than actual receipts	Yes	Finding no longer valid
2009-02	ORC 5705.41(B) Expenditures exceeded appropriations	Yes	Finding no longer valid
2009-03	ORC 5705.10 Improper usage of fund	No	Repeated as 2011-05

This page intentionally left blank.



Dave Yost • Auditor of State

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.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2012