

HIRAM TOWNSHIP
PORTAGE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2013 and 2012





Dave Yost • Auditor of State

Board of Trustees
Hiram Township
PO Box 1827
Hiram, Ohio 44234-1827

We have reviewed the *Independent Auditor's Report* of Hiram Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2012 through December 31, 2013. 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.

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

October 23, 2014

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**HIRAM TOWNSHIP
PORTAGE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Hiram Township
Portage County
PO Box 1827
Hiram, Ohio 44234-1827

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Hiram Township, Portage County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

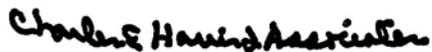
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Hiram Township, Portage County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
September 26, 2014

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 52,681	\$ 668,902	-	\$ 721,583
Licenses, Permits and Fees	1,075	70	-	1,145
Intergovernmental	165,904	84,510	-	250,414
Earnings on Investments	9,864	2,682	\$ 9	12,555
Miscellaneous	1,809	15,665	-	17,474
<i>Total Cash Receipts</i>	<u>231,333</u>	<u>771,829</u>	<u>9</u>	<u>1,003,171</u>
Cash Disbursements				
Current:				
General Government	165,275	8,793	-	174,068
Public Safety	-	185,343	-	185,343
Public Works	47,130	535,368	-	582,498
Health	-	371	-	371
Capital Outlay	1,300	-	-	1,300
Debt Service:				
Principal Retirement	-	29,658	-	29,658
Interest and Fiscal Charges	-	3,163	-	3,163
<i>Total Cash Disbursements</i>	<u>213,705</u>	<u>762,696</u>	<u>-</u>	<u>976,401</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	17,628	9,133	9	26,770
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	14,375	-	-	14,375
Advances In	4,062	-	-	4,062
Advances Out	-	(4,062)	-	(4,062)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,437</u>	<u>(4,062)</u>	<u>-</u>	<u>14,375</u>
<i>Net Change in Fund Cash Balances</i>	36,065	5,071	9	41,145
<i>Fund Cash Balances, January 1</i>	<u>517,713</u>	<u>849,364</u>	<u>1,293</u>	<u>1,368,370</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,200	1,200
Restricted	-	871,945	102	872,047
Assigned	2,051	-	-	2,051
Unassigned (Deficit)	551,727	(17,510)	-	534,217
<i>Fund Cash Balances, December 31</i>	<u>\$ 553,778</u>	<u>\$ 854,435</u>	<u>\$ 1,302</u>	<u>\$ 1,409,515</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, 2012**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Cash Receipts				
Property and Other Local Taxes	\$ 56,893	\$ 607,538	-	\$ 664,431
Licenses, Permits and Fees	800	540	-	1,340
Intergovernmental	63,218	187,306	-	250,524
Earnings on Investments	11,251	1,899	\$ 19	13,169
Miscellaneous	2,138	-	-	2,138
<i>Total Cash Receipts</i>	<u>134,300</u>	<u>797,283</u>	<u>19</u>	<u>931,602</u>
Cash Disbursements				
Current:				
General Government	204,854	49,885	-	254,739
Public Safety	-	194,688	-	194,688
Public Works	6,511	349,142	-	355,653
Health	-	6,889	-	6,889
Debt Service:				
Principal Retirement	-	28,337	-	28,337
Interest and Fiscal Charges	-	4,484	-	4,484
<i>Total Cash Disbursements</i>	<u>211,365</u>	<u>633,425</u>	<u>-</u>	<u>844,790</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(77,065)	163,858	19	86,812
Other Financing Receipts (Disbursements)				
Advances In	-	4,062	-	4,062
Advances Out	(4,062)	-	-	(4,062)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,062)</u>	<u>4,062</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(81,127)	167,920	19	86,812
<i>Fund Cash Balances, January 1</i>	<u>598,840</u>	<u>681,444</u>	<u>1,274</u>	<u>1,281,558</u>
Fund Cash Balances, December 31				
Nonspendable	-	-	1,200	1,200
Restricted	-	849,364	93	849,457
Unassigned	517,713	-	-	517,713
<i>Fund Cash Balances, December 31</i>	<u>\$ 517,713</u>	<u>\$ 849,364</u>	<u>\$ 1,293</u>	<u>\$ 1,368,370</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, 2013 AND 2012**

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 Hiram Township, Portage County, Ohio (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 includes investments as assets. This 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 permanent funds or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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

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.

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 2013 and 2012 budgetary activity appears in Note 3.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance

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

The Board of Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Board amends 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 the Board of 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.

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.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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

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

	2013	2012
Demand deposits	\$ 1,409,515	\$ 1,368,370
Total deposits	\$ 1,409,515	\$ 1,368,370

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 227,420	\$ 245,708	\$ 18,288
Special Revenue	786,134	771,829	(14,305)
Permanent	83,015	9	(83,006)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 742,109	\$ 215,756	\$ 526,353
Special Revenue	918,840	782,870	135,970
Permanent	50	-	50

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 238,461	\$ 134,300	\$ (104,161)
Special Revenue	872,534	797,283	(75,251)
Permanent	72	19	(53)

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (continued)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 830,500	\$ 211,365	\$ 619,135
Special Revenue	1,425,000	633,425	791,575
Permanent	-	-	-

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of 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.

Public utilities are also taxed on personal and real property located within the Township.

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

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Truck Loan	\$ 47,037	5%
Total	\$ 47,037	

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
2014	\$32,820
2015	16,410
Total	\$49,230

6. Retirement System

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Retirement System (continued)

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.). York functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (continued)

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$9,000.

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

Contributions to OTARMA	
<u>2013</u>	<u>2012</u>
\$15,818	\$16,902

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.

7. Contingent Liabilities

Management believes there are no pending claims or lawsuits.

8. Compliance

Contrary to Ohio Revised Code Section 5705.10, the Township did not use restricted funds for the proper purposes during the audit period and had a negative fund balance in the Special Levy Fire-Special Revenue Fund.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not certify that expenditures were lawfully appropriated and free from any previous encumbrances for various expenditures during the audit period.

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

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

Hiram Township
Portage County
PO Box 1827
Hiram, Ohio 44234-1827

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Hiram Township, Portage County (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 26, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-01 and 2013-02 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-01 and 2013-03 through 2013-05.

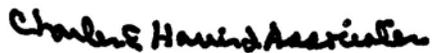
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 26, 2014.

Entity's Responses to Findings

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.

Purpose of this Report

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



Charles E. Harris and Associates, Inc.
September 26, 2014

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2013 and 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2013-01 – Material Weakness and Noncompliance

Audit Adjustments and Reclassifications

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 audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications, but were not limited to, as follows:

- During 2013 and 2012, Homestead and Rollback monies were misclassified as Property Tax revenue instead of Intergovernmental revenue and were not allocated to the proper funds.
- During 2013 and 2012, the Township misclassified road crew payroll and other road materials and supplies expenditures as General Government expenditures instead of Public Works expenditures.
- During 2013 and 2012, Property Tax monies were recorded at the net amount received and were not allocated to the proper funds.
- During 2013, Grant revenue was misclassified as Property Tax revenue instead of Intergovernmental revenue.
- During 2012, Principal and Interest expenditures were misclassified as General Government and Public Safety expenditures.
- During 2012, legal fees were misclassified as Public Works and Health expenditures instead of General Government expenditures.
- During 2012, audit fees were misclassified as Conservation-Recreation expenditures in the Road Levy fund instead of General Government expenditures in the General fund.
- During 2012, purchase of asphalt was misclassified as Conservation-Recreation expenditures instead of Public Works expenditures.
- During 2013 and 2012, cemetery expenses were misclassified as General Government expenditures instead of Health expenditures.
- During 2013, road repair revenue was misclassified as Special Assessment revenue instead of Miscellaneous revenue.
- During 2013, emergency service contract expenses were misclassified as Public Works and General Government expenditures in the Road & Bridge and Road Levy fund, respectively, instead of Public Safety expenditures in the EMS Levy fund.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS - continued
December 31, 2013 and 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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Finding Number: 2013-01 – Material Weakness (continued)

- During 2013, a transfer was made from the General fund to the Cemetery Non-Expendable Endowment fund but was not for the purpose intended in the resolution.
- During 2012, OPERS expenses were misclassified as Road Levy fund expenditures instead of General fund expenditures. See Finding Number: 2013-05.

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

Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Township adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the UAN Handbook, the Ohio Township Handbook and other Auditor of State guidance to aid in properly identifying account classifications.

Finding Number: 2013-02 – Material Weakness

Cash Reconciliations

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 statements 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 and omissions. The book balance was misstated during each month of 2013. 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 banking 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.

Finding Number: 2013-03 – Noncompliance

Fiscal Officer's Certification of Expenditures

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.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS - continued
December 31, 2013 and 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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Finding Number: 2013-03 – Noncompliance (continued)

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.

The Township did not make the proper certification of funds in all instances. We noted that 7 of 44 or 16% of 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.

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. Also, we recommend the Township only use "then and now" certificates for items under \$3,000 and to have all certificates approved by the Board. This will assist in keeping adequate controls over disbursements and encumbrances.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS - continued
December 31, 2013 and 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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Finding Number: 2013-04 – Noncompliance

Negative Fund Balances/Use of Restricted Funds

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Numerous audit adjustments were required to be made to the Township's bank reconciliations, receipts and disbursements during our audit, and as a result, the Township's fund balances in the accounting system also required adjustment. As a result of these adjustments, the Special Levy Fire fund – Special Revenue had a deficit fund balance of \$17,510 as of December 31, 2013.

We also noted that during 2012, 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. These payments were adjusted in the financial statements and Township's records.

We recommend that fund activity be closely monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code. We also recommend that the Township pay all withholding amounts from the funds out of which the employees are being paid. Making sure that withholding payments correspond with payroll expenditures will ensure that funds are only expended for proper purposes.

Finding Number: 2013-05 – Noncompliance

Interest Allocation

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 2013 and 2012, we noted that interest monies received by the Township were incorrectly allocated. Interest should be allocated between the General Fund, Motor Vehicle License Tax Fund, Permissive Motor Vehicle Fund, Gasoline Fund and Permanent Fund based on fund balances. The Township did not allocate interest earning to these funds in the proper amounts. These amounts were adjusted in the financial statements and Township's records.

We recommend that the Township properly allocate interest between the applicable funds based on fund balances at the time interest is received.

Management's Response:

Hiram Township will take into consideration all items (2013-01 through 2013-05). The Township trustees and fiscal officer will work together to better manage the Township funds in accordance with Ohio Revised Code and audit recommendations provided by Charles E. Harris and Associates, Inc.

**HIRAM TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2013 and 2012**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Audit Adjustments and Reclassifications	No	Repeated as 2013-01
2011-02	Cash Reconciliations	No	Repeated as 2013-02
2011-03	Interest Allocation	No	Repeated as 2013-05
2011-04	Fiscal Officer's Certification of Expenditures	No	Repeated as 2013-03
2011-05	Improper Use of Restricted Funds	No	Repeated as 2013-04



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
NOVEMBER 06, 2014**