

***HIRAM TOWNSHIP***  
***PORTAGE COUNTY, OHIO***  
**AUDIT REPORT**  
**For the Year Ended December 31, 2014**







# Dave Yost • Auditor of State

Board of Trustees  
Hiram Township  
PO Box 1827  
Hiram, OH 44234

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, 2014 through December 31, 2014. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery Repaid Under Audit**

Internal Revenue Code Chapter 26 Section 3102(a) requires in part, that the Medicare tax imposed by Internal Revenue Code Chapter 26 Section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

The Township elected to "pick-up" the employee portion of the Medicare tax required to be withheld from employee wages by the above referenced IRC section. Because the amounts required to be withheld were paid to the employees, this constitutes an addition to their wages. The additional wages paid caused each employee's total salary during the period to exceed the salary statutorily mandated by Ohio Revised Code Section 505.24 and 507.09 resulting in overpayments totaling \$845.

The following table summarizes the overpayments for each official:

<b>Official</b>	<b>Overpayment</b>
Stanley Carlisle	\$196
Diane Rodhe	\$107
John Groselle	\$182
Steven Pancost	\$180
Kathleen Schulda	\$180
Total	\$845

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Stanley Carlisle, Diane Rodhe, John Groselle, Steven Pancost, Kathleen Schulda, and their bonding company, Travelers Casualty and Surety Company of America in the amounts above, and in favor of the Hiram Township General Fund.

All amounts were repaid on June 17, 2015.

Board of Trustees  
Hiram Township  
PO Box 1827  
Hiram, OH 44234  
Page -2-

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". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost  
Auditor of State

September 10, 2015

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2014 .....	3
Notes to the Financial Statements .....	4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings .....	16

**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 year ended December 31, 2014.

***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.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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, 2014, or changes in financial position thereof for the year 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, 2014, and its combined cash receipts and disbursements for the year 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 May 25, 2015, 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.***  
May 25, 2015

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<b>Governmental Fund Types</b>				<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent</b>	
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 49,392	\$ 586,975	\$ -	\$ -	\$ 636,367
Intergovernmental	1,512	390	-	-	1,902
Charges for Services	44,803	190,847	-	-	235,650
Fines, Licenses and Permits	-	800	-	-	800
Earnings on Investments	10,615	3,500	30	10	14,155
Miscellaneous	112	-	3,600	-	3,712
<i>Total Cash Receipts</i>	<u>106,434</u>	<u>782,512</u>	<u>3,630</u>	<u>10</u>	<u>892,586</u>
<b>Cash Disbursements</b>					
Current:					
General Government	161,605	5,056	-	-	166,661
Public Safety	9,401	220,748	-	-	230,149
Public Works	6,847	500,703	-	-	507,550
Capital Outlay	171,160	68	-	-	171,228
Debt Service:					
Principal Retirement	-	31,027	-	-	31,027
Interest and Fiscal Charges	-	1,793	-	-	1,793
<i>Total Cash Disbursements</i>	<u>349,013</u>	<u>759,395</u>	<u>-</u>	<u>-</u>	<u>1,108,408</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(242,579)	23,117	3,630	10	(215,822)
<b>Other Financing Receipts (Disbursements)</b>					
Transfers In	-	50,200	1,498	-	51,698
Transfers Out	(51,698)	-	-	-	(51,698)
Other Financing Sources	863	-	-	-	863
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(50,835)</u>	<u>50,200</u>	<u>1,498</u>	<u>-</u>	<u>863</u>
<i>Net Change in Fund Cash Balances</i>	(293,414)	73,317	5,128	10	(214,959)
<i>Fund Cash Balances, January 1</i>	<u>553,778</u>	<u>854,435</u>	<u>-</u>	<u>1,302</u>	<u>1,409,515</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	1,200	1,200
Restricted	-	927,752	-	112	927,864
Committed	-	-	5,128	-	5,128
Assigned	790	-	-	-	790
Unassigned	259,574	-	-	-	259,574
<i>Fund Cash Balances, December 31</i>	<u>\$ 260,364</u>	<u>\$ 927,752</u>	<u>\$ 5,128</u>	<u>\$ 1,312</u>	<u>\$ 1,194,556</u>

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

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Sections 117-2-03(D) permit.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds from specific sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(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 2014 budgetary activity appears in Note 3.

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(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.

**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.

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (continued)**

**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:

	2014
Demand deposits	\$ 1,194,556
Total deposits	\$ 1,194,556

**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 year ending December 31, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 95,917	\$ 107,297	\$ 11,380
Special Revenue	761,283	832,712	71,429
Capital Projects	-	5,128	5,128
Permanent	-	10	10

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 413,382	\$ 401,501	\$ 11,881
Special Revenue	958,732	766,602	192,130
Capital Projects	-	-	-
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.

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**4. Property Tax (continued)**

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, 2014 was as follows:

	Principal	Interest Rate
Truck Loan	\$ 16,010	5%
Total	\$ 16,010	

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
2015	\$ 16,410
Total	\$ 16,410

**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.

The Ohio Revised Code also prescribes contribution rates. For 2014, OPERS members contributed 10% of their earnable salaries and the Township contributed an amount equaling 14% of participants' earnable salaries. The Township has paid all contributions required through December 31, 2014.

**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.

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**7. Risk Management (continued)**

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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, 2014 and 2013 (the latest information available):

	<u>2013</u>	<u>2014</u>
Assets	\$34,954,286	\$35,970,263
Liabilities	8,486,363	8,912,432
Net Position	\$26,467,923	\$27,057,831

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$15,818	\$14,844

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)**

**7. Risk Management (continued)**

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.

**8. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

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 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 year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated May 25, 2015, 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 2014-001 and 2014-002 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 2014-001 and 2014-003.

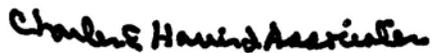
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 25, 2015.

***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.***  
May 25, 2015

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
December 31, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**Finding Number: 2014-001 – 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.

The Ohio Township Handbook and UAN handbook provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications as follows:

- Homestead and Rollback monies not posted as Intergovernmental revenue and were not allocated to the proper funds.
- The Township misclassified road crew payroll and other road materials and supplies expenditures as General Government and Conservation-Recreation expenditures instead of Public Works expenditures.
- Property Tax monies were recorded at the net amount received and were not allocated to the proper funds.
- Principal and Interest expenditures were misclassified as Public Works and Public Safety expenditures.
- Audit fees were misclassified as Public Works expenditures in the SCMR fund instead of General Government expenditures in the General fund.
- Police expenses were misclassified as General Government expenditures instead of Public Safety.
- Total liability insurance expense was paid from the Road Levy fund and misclassified as Public Works expense instead of General Government.
- Miscellaneous revenue from sale of lumber was posted to the Permanent fund instead of the Capital Projects fund.
- It was noted that 2011 Property Tax monies were incorrectly posted to the Cemetery special revenue fund instead of the Road Levy special fund. This resulted in no change to the 2014 activity.

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

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS - continued  
December 31, 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</b>
--

**Finding Number: 2014-001 – Material Weakness and Noncompliance (continued)**

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.

**Management's Response:**

Hiram Township Trustees agree with the audit adjustments made and have instituted controls to prevent the noncompliance from happening in the future.

**Finding Number: 2014-002 – 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 2014. 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.

**Management's Response:**

Hiram Township Trustees agree with the report and reconciliations will be performed and reviewed on a regular basis.

**Finding Number: 2014-003 – Material Noncompliance**

**Withholding of Medicare Tax from Wages**

Internal Revenue Code Chapter 26 Section 3102(a) requires in part, that the Medicare tax imposed by Internal Revenue Code Chapter 26 Section 3101 shall be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS - continued  
December 31, 2014**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued</b></p>
---

**Finding Number: 2014-003 – Material Noncompliance (continued)**

The Township elected to “pick-up” the employee portion of the Medicare tax required to be withheld from wages by the above referenced IRC section. Because the amount withheld was paid to the employees, this constitutes an addition to the wages of the employee. The additional wages paid caused the total salary of the Trustees and the Fiscal Officers employed during the period to exceed the salaries statutorily mandated by Ohio Revised Code Sections 505.24 and 507.09 resulting in overpayments of \$846. The Auditor of State has been notified of this matter.

We recommend that the Township cease the pick-up of the Medicare tax for all Township employees and begin withholding Medicare tax from employee wages.

**Management’s Response:**

Hiram Township Trustees and the fiscal officer will receive the statutorily mandated salary.

**HIRAM TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2014**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-01	Audit Adjustments and Reclassifications	No	Repeated as 2014-001
2013-02	Cash Reconciliations	No	Repeated as 2014-002
2013-03	Fiscal Officer's Certification of Expenditures	Yes	Finding No Longer Valid
2013-04	Improper Use of Restricted Funds	Yes	Finding No Longer Valid
2013-05	Interest Allocation	Yes	Finding No Longer Valid

**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  
SEPTEMBER 22, 2015**