

# ***SHALERSVILLE TOWNSHIP***

**PORTAGE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2014 and 2013**







# Dave Yost • Auditor of State

Board of Trustees  
Shalersville Township  
4519 Route 303  
Ravenna, OH 44266

We have reviewed the *Independent Auditors' Report* of Shalersville Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 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.

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. Shalersville Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

September 10, 2015

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**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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**INDEPENDENT AUDITORS' REPORT**

Shalersville Township  
Portage County  
4519 Route 303  
Ravenna, Ohio 44266

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Shalersville Township, Portage County, (the Township) as of and for the years ended December 31, 2014 and 2013.

***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 these 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.

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 permitted 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 and 2013, 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 Shalersville Township, Portage County as of December 31, 2014 and 2013, 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) permits, 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 28, 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 28, 2015

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$123,980	\$153,199	-	-	\$277,179
Charges for Services	-	300	-	-	300
Licenses, Permits and Fees	29,555	-	-	-	29,555
Intergovernmental	44,295	101,992	\$132,500	-	278,787
Special Assessments	-	5,419	-	-	5,419
Earnings on Investments	1,649	414	-	-	2,063
Miscellaneous	47,469	204	-	-	47,673
<i>Total Cash Receipts</i>	<u>246,948</u>	<u>261,528</u>	<u>132,500</u>	<u>-</u>	<u>640,976</u>
<b>Cash Disbursements</b>					
Current:					
General Government	241,202	-	-	-	241,202
Public Safety	-	48	-	-	48
Public Works	32,171	255,366	-	-	287,537
Health	19,201	-	-	-	19,201
Human Services	-	1,460	-	-	1,460
Conservation-Recreation	5,322	-	-	-	5,322
Capital Outlay	3,187	-	136,325	-	139,512
<i>Total Cash Disbursements</i>	<u>301,083</u>	<u>256,874</u>	<u>136,325</u>	<u>-</u>	<u>694,282</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(54,135)	4,654	(3,825)	-	(53,306)
<b>Other Financing Receipts (Disbursements)</b>					
Other Debt Proceeds	-	-	3,825	-	3,825
<i>Total Other Financing Receipts (Disbursements)</i>	<u>-</u>	<u>-</u>	<u>3,825</u>	<u>-</u>	<u>3,825</u>
<i>Net Change in Fund Cash Balances</i>	(54,135)	4,654	-	-	(49,481)
<i>Fund Cash Balances, January 1</i>	<u>581,668</u>	<u>323,868</u>	<u>-</u>	<u>\$2,053</u>	<u>907,589</u>
<b>Fund Cash Balances, December 31</b>					
Nonspendable	-	-	-	2,053	2,053
Restricted	-	328,622	-	-	328,622
Unassigned	527,533	-	-	-	527,533
<i>Fund Cash Balances, December 31</i>	<u>\$527,533</u>	<u>\$328,622</u>	<u>\$ -</u>	<u>\$2,053</u>	<u>\$858,208</u>

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

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

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

	General	Special Revenue	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$115,271	\$143,020	-	\$258,291
Charges for Services	-	900	-	900
Licenses, Permits and Fees	26,375	-	-	26,375
Intergovernmental	99,660	114,573	-	214,233
Special Assessments	-	5,559	-	5,559
Earnings on Investments	1,438	285	-	1,723
Miscellaneous	64,680	-	-	64,680
<i>Total Cash Receipts</i>	<u>307,424</u>	<u>264,337</u>	<u>-</u>	<u>571,761</u>
<b>Cash Disbursements</b>				
Current:				
General Government	237,051	-	-	237,051
Public Works	17,398	252,374	-	269,772
Health	22,954	-	-	22,954
Human Services	-	1,504	-	1,504
Conservation-Recreation	4,373	-	-	4,373
Capital Outlay	41,645	100	-	41,745
<i>Total Cash Disbursements</i>	<u>323,421</u>	<u>253,978</u>	<u>-</u>	<u>577,399</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(15,997)	10,359	-	(5,638)
<i>Fund Cash Balances, January 1, Restated</i>	<u>597,665</u>	<u>313,509</u>	<u>\$2,053</u>	<u>913,227</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	-	-	2,053	2,053
Restricted	-	323,868	-	323,868
Unassigned	581,668	-	-	581,668
<i>Fund Cash Balances, December 31</i>	<u><u>\$581,668</u></u>	<u><u>\$323,868</u></u>	<u><u>\$2,053</u></u>	<u><u>\$907,589</u></u>

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

SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY

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

	Fiduciary Fund Types
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
<i>Total Operating Cash Receipts</i>	-
<b>Operating Cash Disbursements</b>	
Supplies and Materials	\$41
<i>Total Operating Cash Disbursements</i>	41
<i>Net Change in Fund Cash Balances</i>	(41)
<i>Fund Cash Balances, January 1</i>	41
<i>Fund Cash Balances, December 31</i>	<u><u>\$0</u></u>

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

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 Shalersville 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 Mantua-Shalersville Fire District to provide fire protection and ambulance service.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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 Board 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 Section 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 Fiscal Officer invests all available funds of the Township in an interest-bearing checking account and certificates of deposit. Certificates of deposit are valued at cost.

**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.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than 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.

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

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio for Spring Hill Development and other construction projects.

**4. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**5. Fiduciary Funds**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for fire insurance reimbursements paid on behalf of an insured claim. The Township holds the funds on a custodial basis for a private party.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**E. Budgetary Process (continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or 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 and 2013 budgetary activity appears in Note 3.

**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 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.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (continued)**

**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.

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:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$216,550	\$167,998
Certificates of deposit	2,559	2,557
Other time deposits (savings and NOW accounts)	639,099	737,034
Total deposits	<u>\$858,208</u>	<u>\$907,589</u>

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

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$290,018	\$246,948	(\$43,070)
Special Revenue	145,997	261,528	115,531
Capital Projects	182,500	136,325	(46,175)
Total	\$618,515	\$644,801	\$26,286

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$656,545	\$301,083	\$355,462
Special Revenue	430,400	256,874	173,526
Capital Projects	182,500	136,325	46,175
Total	\$1,269,445	\$694,282	\$575,163

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$306,628	\$307,424	\$796
Special Revenue	265,296	264,337	(959)
Total	\$571,924	\$571,761	(\$163)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$631,166	\$323,421	\$307,745
Special Revenue	404,840	253,978	150,862
Total	\$1,036,006	\$577,399	\$458,607

**4. 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.

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

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

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2014 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Loan # CG37R	<u>\$3,825</u>	0%
Total	<u><u>\$3,825</u></u>	

The Ohio Public Works Commission project loan control # CG37R was entered into July 1, 2014 to finance or reimburse costs associated with the Frost Road (TH-197) resurfacing at an amount not to exceed \$182,500 of which \$132,500 is a grant while \$50,000 is the loan. Only \$3,825 of the \$50,000 loan amount has been drawn. This debt will be repaid in semi-annual installments over ten years at 0% interest. The amortization schedule will be finalized when the project is completed.

**6. Retirement Systems**

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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, 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, 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. (formerly 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, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. Risk Management (continued)**

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 2014 (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, 2013 and 2014, 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, 2013 and 2014, 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 \$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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2014</u>
\$16,765	\$17,467

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.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**8. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**9. Prior Period Adjustments**

An analysis of Agency funds and Permanent funds during the year realized an overstatement of these amounts. Also, a real estate tax receipt from the past was misclassified. The following restatements to the prior year fund balances were made.

	General Fund	Permanent Fund	Agency Fund
Fund cash balance, December 31, 2012	\$565,483	\$3,672	\$27,558
Adjustments	32,182	(1,619)	(27,517)
Fund Cash Balance January 1, 2013	\$597,665	\$2,053	\$41

**10. Budgetary Noncompliance**

Contrary to Ohio Revised Code Section 5705.41(D), the Township had several expenditures that were made prior to the encumbrance of funds.

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***

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

Shalersville Township  
Portage County  
4519 Rte 303  
Ravenna, Ohio 44266

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 Shalersville Township, Portage County (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 28, 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) permits.

***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 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 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 finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

***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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-002

***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 28, 2015

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2014-001**

**Material Weakness**

During 2014 and 2013, the Township incorrectly recorded the following transactions.

- In 2013 and 2014, sales of cemetery lots were classified as fines, licenses, and permits rather than miscellaneous.
- In 2013 and 2014, franchise fees were classified as miscellaneous revenues rather than fines, licenses, and permits.
- A property tax receipt was unrecorded from 2011.

We also noted the Township has two bequest funds, the Nelson bequest and the Halstead bequest. These are non-expendable trusts in that only the interest earnings are allowed to be spent. The Township has recorded these in the past as Permanent Funds. During the audit period, the Township incorrectly reclassified them to Agency Funds.

The financial statements and the Township's records have been modified to properly classify all the above adjustments.

The Ohio Township' Handbook and the UAN accounting system provide suggested fund and account classifications. These funds and accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications will 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.

We recommend the Fiscal Officer refer to the Ohio Township Handbook and UAN manual for guidance to determine the proper posting of receipts and disbursements and for proper fund categorization. We also recommend that the Nelson and Halstead funds be correctly classified and maintained as Permanent Funds, as required by AOS bulletin 2005-005 and Governmental Accounting Standards Board Statement Number 54.

Management's Response:

Management will strive to comply with receipt and disbursement postings and fund classifications.

**FINDING NUMBER 2014-002**

**Non compliance: Ohio Rev. Code 5705.41(D) – Purchase Orders**

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.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS - continued  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – continued</b>
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**FINDING NUMBER 2014-002 (continued)**

**Non compliance: Ohio Rev. Code 5705.41(D) – Purchase Orders (continued)**

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 21 out of 40 non-payroll transactions tested. More simply, the date of the invoice preceded the date of the purchase order.

To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Management’s Response: This has been done incorrectly and will be corrected going forward.

**SHALERSVILLE TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
December 31, 2014 and 2013**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2012-001	Material Weakness – Improper Posting of Transactions	No	Not Corrected; Repeated as Finding 2014-001

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# Dave Yost • Auditor of State

**SHALERSVILLE 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**