



**NELSON TOWNSHIP
PORTAGE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**NELSON TOWNSHIP
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REPORT OF INDEPENDENT ACCOUNTANTS

Nelson Township
Portage County
P.O. Box 377
Garrettsville, Ohio 44231

To the Board of Trustees:

We have audited the accompanying financial statements of Nelson Township, Portage County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000 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 grants.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

June 16, 2000

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**NELSON TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$43,602	\$133,654	\$177,256
Intergovernmental	63,143	78,122	141,265
Licenses, Permits, and Fees	13,386	3,443	16,829
Earnings on Investments	3,912	788	4,700
Other Revenue	1,545	21,622	23,167
	<u>125,588</u>	<u>237,629</u>	<u>363,217</u>
Total Cash Receipts			
	<u>125,588</u>	<u>237,629</u>	<u>363,217</u>
Cash Disbursements:			
Current:			
General Government	99,857		99,857
Public Works	98	168,614	168,712
Health		4,348	4,348
Capital Outlay	8,381	32,797	41,178
	<u>108,336</u>	<u>205,759</u>	<u>314,095</u>
Total Cash Disbursements			
	<u>108,336</u>	<u>205,759</u>	<u>314,095</u>
Total Receipts Over Disbursements	<u>17,252</u>	<u>31,870</u>	<u>49,122</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		338	338
Transfers-Out	(338)		(338)
Other Sources	180		180
	<u>(158)</u>	<u>338</u>	<u>180</u>
Total Other Financing Receipts/(Disbursements)			
	<u>(158)</u>	<u>338</u>	<u>180</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>17,094</u>	<u>32,208</u>	<u>49,302</u>
Fund Cash Balances, January 1	<u>38,616</u>	<u>51,569</u>	<u>90,185</u>
Fund Cash Balances, December 31	<u><u>\$55,710</u></u>	<u><u>\$83,777</u></u>	<u><u>\$139,487</u></u>

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

**NELSON TOWNSHIP
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Interest	\$6
Total Operating Cash Receipts	6
Operating Cash Disbursements:	
Total Operating Cash Disbursements	
Net Receipts Over Disbursements	6
Fund Cash Balance, January 1	571
Fund Cash Balance, December 31	\$577

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

**NELSON TOWNSHIP
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$37,043	\$87,105	\$124,148
Intergovernmental	76,750	73,053	149,803
Licenses, Permits, and Fees	4,706	2,168	6,874
Earnings on Investments	2,141	992	3,133
Other Revenue	12,065	2,410	14,475
	<u>132,705</u>	<u>165,728</u>	<u>298,433</u>
Total Cash Receipts			
	<u>132,705</u>	<u>165,728</u>	<u>298,433</u>
Cash Disbursements:			
Current:			
General Government	123,424		123,424
Public Works	121	147,897	148,018
Health		5,567	5,567
Capital Outlay	1,535	1,435	2,970
	<u>125,080</u>	<u>154,899</u>	<u>279,979</u>
Total Cash Disbursements			
	<u>125,080</u>	<u>154,899</u>	<u>279,979</u>
Total Receipts Over Disbursements	<u>7,625</u>	<u>10,829</u>	<u>18,454</u>
Other Financing Receipts:			
Other Sources	<u>60</u>		<u>60</u>
Total Other Financing Receipts	<u>60</u>		<u>60</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	<u>7,685</u>	<u>10,829</u>	<u>18,514</u>
Fund Cash Balances, January 1	<u>30,931</u>	<u>40,740</u>	<u>71,671</u>
Fund Cash Balances, December 31	<u><u>\$38,616</u></u>	<u><u>\$51,569</u></u>	<u><u>\$90,185</u></u>

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

**NELSON TOWNSHIP
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Fiduciary Fund Type
	Nonexpendable Trust
Operating Cash Receipts:	
Interest	\$24
Total Operating Cash Receipts	24
Operating Cash Disbursements:	
Total Operating Cash Disbursements	
Net Receipts Over Disbursements	24
Fund Cash Balance, January 1	547
Fund Cash Balance, December 31	\$571

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

**NELSON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Nelson Township, Portage County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and cemetery services.

The Township provides fire protection to its residents through the Garrettsville-Freedom-Nelson Joint Fire District, which is directed by an appointed three-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Garrettsville, Freedom Township, and Nelson Township.

The Township provides ambulance service to its residents through the Community Emergency Medical Service District, which is directed by an appointed three-member Board of Trustees. One Board member is appointed by each political subdivision within the District. Those subdivisions are the Village of Garrettsville, Freedom Township, and Nelson Township.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township's certificate of deposit is valued at cost.

Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

NELSON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts 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.

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

3. Fiduciary Fund (Non-Expendable Trust Fund)

Cemetery Bequest Fund - This fund is utilized as a non-expendable trust fund that utilizes interest revenues for the upkeep and maintenance of the cemetery. The principal must remain intact.

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 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. 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 canceled, and reappropriated in the subsequent year.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**NELSON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$139,564	\$90,256
Certificates of deposit	500	500
Total deposits and investments	\$140,064	\$90,756

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or pledged by specific securities.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$115,452	\$125,768	\$10,316
Special Revenue	260,907	237,967	(22,940)
Non-Expendable Trust	30	6	(24)
Total	\$376,389	\$363,741	(\$12,648)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$154,068	\$108,674	\$45,394
Special Revenue	312,476	205,759	106,717
Non-Expendable Trust	101	0	101
Total	\$466,645	\$314,433	\$152,212

**NELSON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,341	\$132,765	\$25,424
Special Revenue	170,825	165,728	(5,097)
Non-Expendable Trust	26	24	(2)
Total	\$278,192	\$298,517	\$20,325

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$138,272	\$125,080	\$13,192
Special Revenue	211,565	154,899	56,666
Non-Expendable Trust	73	0	73
Total	\$349,910	\$279,979	\$69,931

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**NELSON TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Business Auto Coverage
- Commercial General Liability Coverage
- Commercial Property
- Commercial Inland Marine
- Township Officials Liability
- Employers Liability and Stop Gap Coverage
- Employee Benefits Liability Coverage
- Cemetery Liability Coverage
- Valuable Papers

The Township also provides health and dental insurance to all employees through a private carrier.

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Nelson Township
Portage County
P.O. Box 377
Garrettsville, Ohio 44231

To the Board of Trustees:

We have audited the accompanying financial statements of Nelson Township, Portage County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated June 16, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 16, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 16, 2000.

This report is intended for the information and use of the audit committee, management, and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

June 16, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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NELSON 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
JULY 18, 2000**