

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

JOHN FINNEY, FISCAL OFFICER



Dave Yost • Auditor of State

Board of Trustees
Nelson Township
P.O. Box 377
Garrettsville, Ohio 44232

We have reviewed the *Independent Auditor's Report* of Nelson Township, Portage County, prepared by Julian & Grube, Inc., for the audit period January 1, 2012 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 23, 2014

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**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Nelson Township
Portage County
P.O. Box 377
Garrettsville, Ohio 44232

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to Nelson 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 Nelson 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 opinion.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

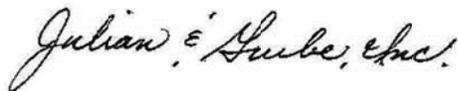
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Nelson Township, Portage County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the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

Emphasis of Matter

As discussed in Note 10 to the financial statements, during 2012, Nelson Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2014, on our consideration of Nelson 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 Nelson Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 25, 2014

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Permanent	
Cash receipts:					
Local Taxes	\$ 110,063	\$ 166,385	\$ 25,367	\$ -	\$ 301,815
Intergovernmental	125,348	125,741	-	-	251,089
Special assessments	-	2,650	-	-	2,650
Licenses, permits and fees	9,361	-	-	-	9,361
Earnings on Investments	595	252	-	4	851
Miscellaneous	3,180	11,482	-	-	14,662
Total cash receipts	<u>248,547</u>	<u>306,510</u>	<u>25,367</u>	<u>4</u>	<u>580,428</u>
Cash disbursements:					
Current:					
General Government	175,534	-	-	-	175,534
Public Works	-	276,657	-	-	276,657
Health	-	3,031	-	-	3,031
Capital Outlay	-	24,458	-	-	24,458
Debt service:					
Principal Retirement	-	-	10,000	-	10,000
Interest & Fiscal Charges	-	-	14,616	-	14,616
Total cash disbursements	<u>175,534</u>	<u>304,146</u>	<u>24,616</u>	<u>-</u>	<u>504,296</u>
Excess of receipts over (under) disbursements	<u>73,013</u>	<u>2,364</u>	<u>751</u>	<u>4</u>	<u>76,132</u>
Other financing receipts/(disbursements):					
Proceeds from sale of assets	-	17,585	-	-	17,585
Total other financing receipts/(disbursements)	<u>-</u>	<u>17,585</u>	<u>-</u>	<u>-</u>	<u>17,585</u>
Net change in fund cash balances	73,013	19,949	751	4	93,717
Fund cash balances, January 1, 2013	<u>41,621</u>	<u>185,861</u>	<u>3,293</u>	<u>771</u>	<u>231,546</u>
Fund cash balances December 31, 2013					
Nonspendable	-	-	-	500	500
Restricted	-	205,810	4,044	275	210,129
Assigned	27,292	-	-	-	27,292
Unassigned	87,342	-	-	-	87,342
Fund cash balances, December 31, 2013	<u>\$ 114,634</u>	<u>\$ 205,810</u>	<u>\$ 4,044</u>	<u>\$ 775</u>	<u>\$ 325,263</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types					Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash receipts:						
Local Taxes	\$ 105,454	\$ 158,065	\$ 25,522	\$ -	\$ -	\$ 289,041
Intergovernmental	65,834	123,534	-	76,326	-	265,694
Special assessments	-	3,380	-	-	-	3,380
Licenses, permits and fees	9,435	-	-	-	-	9,435
Earnings on Investments	654	329	-	-	3	986
Miscellaneous	3,849	3,696	-	-	-	7,545
Total cash receipts	<u>185,226</u>	<u>289,004</u>	<u>25,522</u>	<u>76,326</u>	<u>3</u>	<u>576,081</u>
Cash disbursements:						
Current:						
General Government	170,343	-	-	-	-	170,343
Public Works	-	309,662	-	85,695	-	395,357
Health	-	3,749	-	-	-	3,749
Capital Outlay	16,340	553	-	-	-	16,893
Debt service:						
Principal Retirement	-	-	9,000	-	-	9,000
Interest & Fiscal Charges	-	-	15,021	-	-	15,021
Total cash disbursements	<u>186,683</u>	<u>313,964</u>	<u>24,021</u>	<u>85,695</u>	<u>-</u>	<u>610,363</u>
Excess of receipts over (under) disbursements	<u>(1,457)</u>	<u>(24,960)</u>	<u>1,501</u>	<u>(9,369)</u>	<u>3</u>	<u>(34,282)</u>
Other financing receipts/(disbursements):						
Proceeds from sale of notes	-	-	-	9,369	-	9,369
Other sources	2,289	-	-	-	-	2,289
Total other financing receipts/(disbursements)	<u>2,289</u>	<u>-</u>	<u>-</u>	<u>9,369</u>	<u>-</u>	<u>11,658</u>
Net change in fund cash balances	832	(24,960)	1,501	-	3	(22,624)
Fund cash balances, January 1, 2012	<u>40,789</u>	<u>210,821</u>	<u>1,792</u>	<u>-</u>	<u>768</u>	<u>254,170</u>
Fund cash balances, December 31, 2012						
Nonspendable	-	-	-	-	500	500
Restricted	-	185,861	3,293	-	271	189,425
Assigned	33,017	-	-	-	-	33,017
Unassigned	8,604	-	-	-	-	8,604
Fund cash balances, December 31, 2012	<u>\$ 41,621</u>	<u>\$ 185,861</u>	<u>\$ 3,293</u>	<u>\$ -</u>	<u>\$ 771</u>	<u>\$ 231,546</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Township

The constitution and laws of the State of Ohio establish the rights and privileges of Nelson 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 general government services, road and bridge maintenance and cemetery maintenance. Garrettsville-Freedom-Nelson Joint Fire District provides fire protection for the Township. Community Emergency Medical Service District provides ambulance service to the Township.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Township values certificates of deposit at cost. Money market mutual funds are recorded at share values the mutual funds report.

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 of specific revenue 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:

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 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.

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

4. 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:

OWPC Fund (2012) - This fund accounts for grant and loan receipts for the Pierce Road Culvert project.

5. 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 Bequest Fund - This fund utilizes interest revenue for the general maintenance and upkeep of the Township's cemetery.

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. 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 approve estimated resources.

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Encumbrances

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

A summary of 2013 and 2012 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

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

4. Assigned

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

5. Unassigned

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

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

NOTE 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:

	2013	2012
Demand deposits	\$13,812	\$18,221
Certificates of deposit	500	500
Total deposits	14,312	18,721
Money market account	310,951	212,825
Total deposits and investments	\$325,263	\$231,546

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

NOTE 3 - BUDGETARY ACTIVITY

Budgetary activity for the years ending 2013 and 2012 follows:

Fund Type	2013 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 177,753	\$ 248,547	\$ 70,794
Special Revenue	303,927	324,095	20,168
Debt Service	26,117	25,367	(750)
Permanent Fund	-	4	4
Total	\$ 507,797	\$ 598,013	\$ 90,216

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 3 - BUDGETARY ACTIVITY - (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 210,770	\$ 187,561	\$ 23,209
Special Revenue	396,379	348,921	47,458
Debt Service	27,700	24,616	3,084
Permanent Fund	<u>272</u>	<u>-</u>	<u>272</u>
Total	<u>\$ 635,121</u>	<u>\$ 561,098</u>	<u>\$ 74,023</u>

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 228,911	\$ 187,515	\$ (41,396)
Special Revenue	311,758	289,004	(22,754)
Debt Service	25,522	25,522	-
Capital Projects	121,326	85,695	(35,631)
Permanent Fund	<u>10</u>	<u>3</u>	<u>(7)</u>
Total	<u>\$ 687,527</u>	<u>\$ 587,739</u>	<u>\$ (99,788)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 234,348	\$ 195,291	\$ 39,057
Special Revenue	392,000	328,683	63,317
Debt Service	25,610	24,021	1,589
Capital Projects	<u>121,326</u>	<u>85,695</u>	<u>35,631</u>
Total	<u>\$ 773,284</u>	<u>\$ 633,690</u>	<u>\$ 139,594</u>

NOTE 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.

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

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 5 - DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA - Rural Development	\$314,810	4.50%
OPWC - #CU140	<u>9,369</u>	0.00%
Total	<u><u>\$324,179</u></u>	

In 2003, the Township issued \$400,000 United States Department of Agriculture (USDA) bonds to construct the Township hall. The bonds bear an interest rate of 4.50% per year payable in varying amounts on December 1 of each year through 2033.

In 2012, the Township issued \$9,369 in Ohio Public Works Commission notes for the Pierce Road Culvert. The notes bear no interest and are payable in July and January in the amount of \$156 through 2044.

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

<u>Year Ending December 31,</u>	<u>USDA Bonds</u>	<u>OPWC Notes</u>
2014	\$ 24,166	\$ 156
2015	23,716	312
2016	24,266	312
2017	24,771	312
2018	24,231	312
2019 - 2023	121,472	1,560
2024 - 2028	122,471	1,560
2029 - 2033	117,717	1,560
2034 - 2038	-	1,560
2039 - 2043	-	1,560
2044	<u>-</u>	<u>165</u>
Total	<u><u>\$ 482,810</u></u>	<u><u>\$ 9,369</u></u>

NOTE 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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% and 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 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 Workers' Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.), York functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011 (the latest information available):

	2012	2011
Assets	\$ 34,771,270	\$ 35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	\$ 25,416,188	\$ 25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.6 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$7,004.

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

Contributions to OTARMA	
2012	2011
\$ 11,872	\$ 11,791

**NELSON TOWNSHIP
PORTAGE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 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.

NOTE 8 - CONTINGENT LIABILITIES

As confirmed by the Township's legal counsel, Nelson Township is not currently involved in litigation.

NOTE 9 - JOINTLY GOVERNED ORGANIZATION

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 District is solely funded by voter approved tax levies. There is no funding received from District Members.

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 District is solely funded by voter approved tax levies. There is no funding received from District Members.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2012, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", which are described in Note 2.F.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards***

Nelson Township
Portage County
P.O. Box 377
Garrettsville, Ohio 44232

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 Nelson Township, Portage County, Ohio, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2014 wherein we noted Nelson Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, and as discussed in Note 10, Nelson Township adopted Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Nelson 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of Nelson Township's internal control. Accordingly, we have not opined on it.

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 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 Nelson 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether Nelson Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations and contracts, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Board of Trustess
Nelson Township

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 Nelson Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Nelson Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
April 25, 2014



Dave Yost • Auditor of State

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
JUNE 12, 2014**