



OHIO AUDITOR OF STATE
KEITH FABER



**NELSON TOWNSHIP
PORTAGE COUNTY
DECEMBER 31, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Nelson Township, Portage County, Ohio (the Township) as of and for the years ended December 31, 2019 and 2018.

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 such 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 2 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 (GAAP), to satisfy these requirements. Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2019 and 2018, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Township, as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2020

Nelson Township
Portage County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$120,116	\$169,948	\$24,691	\$0	\$314,755
Licenses, Permits and Fees	12,889	3,640	0	0	16,529
Intergovernmental	67,968	154,844	0	0	222,812
Earnings on Investments	566	262	14	4	846
Miscellaneous	8,850	10,500	0	0	19,350
<i>Total Cash Receipts</i>	<u>210,389</u>	<u>339,194</u>	<u>24,705</u>	<u>4</u>	<u>574,292</u>
Cash Disbursements					
Current:					
General Government	197,119	0	0	0	197,119
Public Works	0	319,480	0	0	319,480
Health	0	4,960	0	0	4,960
Other	0	600	0	0	600
Capital Outlay	311	0	0	0	311
Debt Service:					
Principal Retirement	0	0	13,313	0	13,313
Interest and Fiscal Charges	0	0	11,691	0	11,691
<i>Total Cash Disbursements</i>	<u>197,430</u>	<u>325,040</u>	<u>25,004</u>	<u>0</u>	<u>547,474</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,959</u>	<u>14,154</u>	<u>(299)</u>	<u>4</u>	<u>26,818</u>
Other Financing Receipts (Disbursements)					
Other Financing Sources	2,606	0	0	0	2,606
Other Financing Uses	(55)	0	0	0	(55)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,551</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,551</u>
<i>Net Change in Fund Cash Balances</i>	15,510	14,154	(299)	4	29,369
<i>Fund Cash Balances, January 1</i>	<u>84,796</u>	<u>201,985</u>	<u>6,199</u>	<u>791</u>	<u>293,771</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	795	795
Restricted	0	216,139	5,900	0	222,039
Assigned	1,963	0	0	0	1,963
Unassigned (Deficit)	98,343	0	0	0	98,343
<i>Fund Cash Balances, December 31</i>	<u>\$100,306</u>	<u>\$216,139</u>	<u>\$5,900</u>	<u>\$795</u>	<u>\$323,140</u>

See accompanying notes to the basic financial statements

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Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the 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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township relies upon the Garrettsville, Nelson, Freedom Joint Fire District to provide fire services and the Community EMS District to provide medical services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in two jointly governed organizations, and one Public Entity Risk Pool. Notes 6 and 10 to the financial statements provides additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund is restricted for maintenance and repair of roads within the township.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Fund #3101	Loan new service building
Fund #3102	Note, OPWC CU 140
Fund #3103	F450 truck debit retirement

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 has one permanent fund that accounts for less than one percent of the budget.

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

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. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. Ohio law.

A summary of 2019 budgetary activity appears in Note 3.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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.

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.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,678	\$212,955	\$27,277
Special Revenue	311,660	339,194	27,534
Debt Service	24,692	24,705	13
Capital Projects	0	0	0
Internal Service	0	0	0
Permanent	0	4	4
Fiduciary	0	0	0
Total	\$522,030	\$576,858	\$54,828

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,063	\$200,384	(\$191,321)
Special Revenue	7,856	328,120	(320,264)
Debt Service	0	25,004	(25,004)
Capital Projects	0	0	0
Internal Service	0	0	0
Permanent	0	0	0
Fiduciary	0	0	0
Total	\$16,919	\$553,508	(\$536,589)

Note 4 – Deposits and Investments

The Township maintains a deposits 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:

Demand deposits	2019 \$322,640
Certificates of deposit	500
Total deposits at December 31, 2019	\$323,140

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 – Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

Nelson Township is a member of the Ohio Township Association Risk Management Authority (the Pool). The Pool assumes the risk of loss up to the limits of the Nelson Township's policy. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability;
- Cyber
- Automobile liability
- Property
- Equipment

The Pool reported the following summary of actuarially-measured liabilities and the assets available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 35,207,320
Actuarial liabilities	\$ 10,519,942

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Debt

	Principal	Interest Rate
General Obligation Bonds	\$246,810	4.5%
General Obligation Notes	15,277	0.31%
OPWC Note	7,495	0.00%
Total	\$269,582	

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.

In 2017, the township issued \$24,630 general obligation contract notes to finance the purchase of a 2017 Ford F-450. The principal and interest payments are payable in April in the amount of \$5,393 through 2022.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Amortization

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

Year Ending December 31:	OPWC Note	General Obligation Bonds	General Obligation Notes
2020	\$ 312	\$ 24,106	\$ 5,393
2021	312	24,521	5,393
2022	312	23,891	5,393
2023	312	24,261	0
2024-2033	3,123	240,135	0
2034-2044	3,435	0	0
Total	\$ 7,806	\$ 336,914	\$ 16,179

Note 10 – Jointly Governed Organizations

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 11 – Subsequent Events

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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Nelson Township*Portage County, Ohio**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Debt Service	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$113,681	\$168,957	\$24,232	\$0	\$306,870
Licenses, Permits and Fees	10,423	2,100	0	0	12,523
Intergovernmental	71,374	146,018	0	0	217,392
Earnings on Investments	597	244	10	4	855
Miscellaneous	10,281	2,098	0	0	12,379
<i>Total Cash Receipts</i>	<u>206,356</u>	<u>319,417</u>	<u>24,242</u>	<u>4</u>	<u>550,019</u>
Cash Disbursements					
Current:					
General Government	213,243	0	0	0	213,243
Public Works	0	265,604	0	0	265,604
Health	0	4,462	0	0	4,462
Capital Outlay	882	0	0	0	882
Debt Service:					
Principal Retirement	0	0	12,312	0	12,312
Interest and Fiscal Charges	0	0	12,231	0	12,231
<i>Total Cash Disbursements</i>	<u>214,125</u>	<u>270,066</u>	<u>24,543</u>	<u>0</u>	<u>508,734</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,769)</u>	<u>49,351</u>	<u>(301)</u>	<u>4</u>	<u>41,285</u>
<i>Net Change in Fund Cash Balances</i>	(7,769)	49,351	(301)	4	41,285
<i>Fund Cash Balances, January 1</i>	<u>92,565</u>	<u>152,634</u>	<u>6,500</u>	<u>787</u>	<u>252,486</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	791	791
Restricted	0	201,985	6,199	0	208,184
Assigned	9,063	0	0	0	9,063
Unassigned (Deficit)	75,733	0	0	0	75,733
<i>Fund Cash Balances, December 31</i>	<u>\$84,796</u>	<u>\$201,985</u>	<u>\$6,199</u>	<u>\$791</u>	<u>\$293,771</u>

See accompanying notes to the basic financial statements

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Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Road and Bridge Fund The road and bridge fund is restricted for maintenance and repair of roads within the township.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Fund #3101	Loan new service building
Fund #3102	Note, OPWC CU 140
Fund #3103	F450 truck debit retirement

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 has one permanent fund that accounts for less than one percent of the budget.

Basis of Accounting

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.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1.

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. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year. Ohio law.

A summary of 2018 budgetary activity appears in Note 3.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Capital Assets

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

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.

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:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,773	\$206,356	\$51,583
Special Revenue	298,698	319,417	20,719
Debt Service	29,615	24,242	(5,373)
Permanent	0	4	4
Total	\$483,086	\$550,019	\$66,933
2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,603	\$223,189	\$17,414
Special Revenue	387,285	277,922	109,363
Debt Service	29,949	24,544	5,405
Permanent	265	0	265
Total	\$658,102	\$525,655	\$132,447

Note 4 – Deposits and Investments

The Township maintains a deposits 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:

	2018
Demand deposits	\$293,270
Certificates of deposit	500
Total deposits at December 31, 2018	\$293,770

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2018.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS-Local</i>	<i>2012-2018</i>	<i>10%</i>	<i>14%</i>

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$259,810	4.5%
General Obligation Notes	20,000	0.31%
OPWC Note	7,807	0.00%
Total	<u>\$287,617</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.

In 2017, the township issued \$24,630 general obligation contract notes to finance the purchase of a 2017 Ford F-450. The principal and interest payments are payable in April in the amount of \$5,393 through 2022.

Nelson Township
Portage County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending		General	General
December 31:	OPWC Note	Obligation	Obligation
		Bonds	Notes
2019	\$ 312	\$ 24,591	\$ 5,393
2020	312	24,106	5,393
2021	312	24,521	5,393
2022	312	23,891	5,393
2023	312	24,261	0
2024-2033	3,123	240,135	0
2034-2044	3,435	0	0
Total	\$ 8,118	\$ 361,505	\$ 21,572

Note 10 – Jointly Governed Organizations

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 11 – Subsequent Events

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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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 44231

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 the cash balances, receipts and disbursements by fund type of Nelson Township, Portage County, (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 the 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 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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider finding 2019-001 through 2019-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under Government Auditing Standards which are described in the accompanying schedule of findings as item 2019-001 and 2019-002.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 6, 2020

**NELSON TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

1. Misposting of Receipts

FINDING NUMBER 2019-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Additionally, Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Township had the following misposting of receipts requiring financial statements adjustments:

2018

- The misposting of homestead and rollback receipts resulted in an overstatement of General Fund and Special Revenue Funds Property and Other local Taxes Receipts of \$11,994 and \$22,663 and understatements of General Fund and Special Revenue Fund Intergovernmental Receipts of \$21,243 and \$13,414, respectively.

2019

- The misposting of homestead and rollback receipts resulted in an overstatement of General Fund Intergovernmental Receipts and an understatement of Special Revenue Funds Intergovernmental Receipts totaling \$12,055.
- The misposting of local government receipts resulted in an overstatement of Special Revenue Funds Intergovernmental Receipts and an understatement of General Fund Intergovernmental Receipts totaling \$3,538.

Additional immaterial mispostings were communicated to the Township.

These errors were caused by a lack of internal controls over the posting of receipts.

The Township corrected the financial statements and accounting records (when applicable) for the above errors.

To help ensure complete and accurate financial reporting, the Fiscal Officer should closely monitor all receipts to ensure amounts are posted to the proper accounts. In addition, the Fiscal Officer should refer to the Ohio Township Handbook to help ensure proper accounts are being used.

Official's Response: We did not receive a response from Officials to this finding.

2. **Ohio Rev. Code §5705.41(B)**

FINDING NUMBER 2019-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, and certifying the approved appropriations with the County Auditor, the Townships' General Fund, Special Revenue Funds and the Debt Service Funds, had expenditures in excess of appropriations of \$191,321, \$320,264 and \$25,004 as of December 31, 2019, respectively.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures and also make sure they file appropriations measures and certify them with the County Auditor.

Official's Response: We did not receive a response from Officials to this finding.

3. **Budgetary Presentation**

FINDING NUMBER 2019-003

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Additionally, sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system. Also, the following errors were noted in Note 3 of the financial statements regarding "Budgetary Activity."

During 2018:

- General Fund and Debt Service Funds budgeted receipts per the budgetary note were reported at \$153,281 and \$0 rather than \$154,773 and \$29,615 respectively, which agrees to the Amended Official Certificate of Estimated Resources.
- Special Revenue Funds and Debt Service Funds actual receipts per the budgetary note were reported at \$340,042 and \$0 rather than \$319,417 and \$24,242 respectively.
- General Fund, Special Revenue Funds, Debt Service Funds and Permanent Fund appropriation authority per the budgetary note were reported at \$229,780, \$412,388, \$0 and \$0 rather than \$240,603, \$387,285, \$29,949 and \$265 respectively, which agrees to the Appropriation Resolution.
- General Fund, Special Revenue and Debt Service budgetary expenditures per the budgetary note were reported at \$214,126, \$263,866 and \$0 rather than \$223,189, \$277,922 and \$24,544 which agrees to the Township's accounting system.

During 2019:

- General Fund, Special Revenue Funds, Debt Service Funds and Permanent Fund budgeted receipts per the budgetary note were reported at \$0, \$335,792, \$0 and \$4 rather than \$185,678, \$311,660, \$24,692 and \$0 respectively, which agrees to the Amended Official Certificate of Estimated Resources.
- General Fund, Special Revenue Fund, Debt Service Funds and Permanent Fund actual receipts per the budgetary note were reported at \$0, \$355,371, \$0, and \$0 rather than \$212,955, \$339,194, \$25,705 and \$4 respectively, which agrees to the Township's accounting system.
- General Fund and Special Revenue Funds appropriation authority per the budgetary note were reported at \$246,007 and \$532,241 rather than \$9,063 and \$7,856, respectively, which represent prior year carryover encumbrances and agrees to the Township's accounting system. The large variance occurred because the Township's 2019 appropriation authority was not submitted to the County for certification, rendering them ineffective.
- General Fund, Special Revenue Funds and Debt Service Funds budgetary expenditures per the budgetary note were reported at \$198,420, \$350,045 and \$0 rather than \$200,384, \$328,120 and \$25,004, respectively.

Budgetary information disclosed in the notes to the financial statements should reflect the Township's actual budgetary activity through the fiscal year. The errors were caused by a lack of management procedures or policies in place to help ensure the accurate presentation of note disclosure information and management's failure to post the amended budgetary activity to the accounting system.

The Township's budgetary information within Note 3 of the financial statements has been corrected for the above errors.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Additionally, management should implement procedures or policies to help ensure complete and accurate reporting of the financial statements and accompanying notes. The procedures should include the Fiscal Officer's, or an appointed representative's, review of the Township's year-end financial statements and notes to the financial statements for accuracy, reasonableness and consistency between years.

Official's Response: We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



NELSON TOWNSHIP

PORTAGE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/24/2020

88 East Broad Street, Columbus, Ohio 43215
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This report is a matter of public record and is available online at
www.ohioauditor.gov