



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

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**NELSON TOWNSHIP
PORTAGE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Nelson Township
Portage County
P.O. Box 3117
Garrettsville, OH 44231

To the Board of Trustees:

We have audited the accompanying financial statements of Nelson Township (the Township) as of and for the years ended December 31, 2001 and 2000. 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 auditing standards generally accepted in the United States of America 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, 2001 and 2000, 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 December 24, 2002 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board 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". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

December 24, 2002

**NELSON TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$42,232	\$165,907	\$208,139
Intergovernmental	70,868	84,396	155,264
Licenses, Permits, and Fees	10,724	2,684	13,408
Earnings on Investments	3,166	2,089	5,255
Other Revenue	2,506	1,660	4,166
	<u>129,496</u>	<u>256,737</u>	<u>386,232</u>
Cash Disbursements:			
Current:			
General Government	114,615		114,615
Public Works	7,936	203,495	211,430
Miscellaneous	0		0
Capital Outlay	88,555	37,996	126,550
	<u>211,105</u>	<u>241,490</u>	<u>452,596</u>
Total Cash Disbursements	<u>211,105</u>	<u>241,490</u>	<u>452,596</u>
Total Receipts (Under) Disbursements	<u>(81,610)</u>	<u>15,246</u>	<u>-66,363</u>
Other Financing Sources:			
Other Sources	45	0	45
	<u>45</u>	<u>0</u>	<u>45</u>
Total Other Financing Disbursements	<u>45</u>	<u>0</u>	<u>45</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	(81,564)	15,246	(66,318)
Fund Cash Balances, January 1	90,588	92,626	183,214
Fund Cash Balances, December 31	<u>\$9,023</u>	<u>\$107,873</u>	<u>\$116,896</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

NELSON TOWNSHIP
PORTAGE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust Fund</u>
Cash Receipts:	
Earnings on Investments	\$22
Total Cash Receipts	22
Cash Disbursements:	
Total Cash Disbursements	0
Total Receipts Over Disbursements	22
Fund Cash Balances, January 1	600
Fund Cash Balances, December 31	<u><u>\$622</u></u>

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

**NELSON TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$37,937	\$146,141	\$184,078
Intergovernmental	82,362	86,140	168,502
Licenses, Permits, and Fees	11,085	2,449	13,534
Earnings on Investments	5,083	1,207	6,290
Other Revenue	5,417	3,560	8,977
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	141,884	239,496	381,380
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	102,070		102,070
Public Works	1,845	227,969	229,814
Miscellaneous		559	559
Capital Outlay	3,516	2,120	5,636
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	107,431	230,648	338,079
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	34,453	8,848	43,301
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	55,710	83,777	139,487
Fund Balance Adjustment	425	0	425
Fund Cash Balances After Adjustment, January 1	<hr/>	<hr/>	<hr/>
	56,135	83,777	139,912
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$90,588</u>	<u>\$92,626</u>	<u>\$183,213</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$550</u>	<u>\$19,045</u>	<u>\$19,595</u>
	<hr/>	<hr/>	<hr/>

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

**NELSON TOWNSHIP
PORTAGE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Fiduciary Fund Type</u>
	<u>Nonexpendable Trust Fund</u>
Cash Receipts:	
Earnings on Investments	\$23
Total Cash Receipts	23
Cash Disbursements:	
Total Cash Disbursements	0
Total Receipts Over Disbursements	23
Fund Cash Balances, January 1	577
Fund Cash Balances, December 31	<u><u>\$600</u></u>

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

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

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

Investments are reported as assets. Accordingly, 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.

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

**NESLON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 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 2001 and 2000 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.

**NESLON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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:

	2001	2000
Demand deposits	\$117,018	\$183,314
Certificate of deposit	500	500
Total deposits	117,518	183,814

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$110,804	\$129,541	\$18,737
Special Revenue	279,465	256,737	(22,728)
Fiduciary	10	22	12
Total	\$390,279	\$386,300	(\$3,979)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$237,860	\$211,105	\$26,755
Special Revenue	310,615	241,490	69,125
Fiduciary	0	0	0
Total	\$548,475	\$452,595	\$95,880

**NESLON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,805	\$141,884	\$22,079
Special Revenue	271,014	239,496	(31,518)
Fiduciary	10	23	13
Total	\$390,829	\$381,403	(\$9,426)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$170,020	\$107,981	\$62,039
Special Revenue	334,202	249,693	84,509
Fiduciary	0	0	0
Total	\$504,222	\$357,674	\$146,548

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.

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 also prescribed by the Ohio Revised Code. For 2001 and 2000, members of PERS participants contributed 8.5% of their gross wages. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Township has paid all contributions required through December 31, 2001.

**NESLON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RISK MANAGEMENT

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 insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

A. Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation. If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

B. Property Insurance

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding up to \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

C. Financial Position

OTARMA's financial statements (audited by other accountants) conform to generally accepted accounting principals, and reported the following assets, liabilities and retained earnings at December 31 (latest information available):

Casualty Coverage	2000	1999
Assets	\$22,684,383	\$18,172,222
Liabilities	8,924,977	5,947,013
Retained Earnings	\$13,759,406	\$12,225,209
Property Coverage		
Assets	\$4,156,784	\$3,544,437
Liabilities	487,831	674,752
Retained Earnings	\$3,658,953	\$2,869,685

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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 3117
Garrettsville, OH 44231

To the Board of Trustees:

We have audited the accompanying financial statements of Nelson Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated December 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 December 24, 2002.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-41167-001 through 2001-41167-004.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2001-41167-004 to be a material weakness.

Nelson Township
Portage County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

We also 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 December 24, 2002.

This report is intended solely for the information and use of 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 stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 24, 2002

**NELSON TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-41167-001

Reportable Condition

Review and Approval of Financial Reports

The Clerk generates various financial reports of the Township's activity on a monthly basis and presents them to the Trustees. Reports consist of a Cash Journal, Revenue Status report, Expenditure Status report, Fund Summary report, and a Cash Summary by Fund report.

There is no evidence that the Trustees are reviewing these financial reports. Due to the size and complexity of the Township, segregation of duties is limited. Therefore, it is vital that proper monitoring review takes place. This recommendation was made in the prior audit in the Management Letter.

We recommend the Board of Trustees review the monthly financial reports generated by the Clerk, and approve such reports by a formal resolution of the Board. The Clerk should document and maintain any discrepancies noted or adjustments made. We also recommend the Clerk retain all such reports approved by the Board, as they are considered public documents.

Implementation of this recommendation may help strengthen the controls over financial reporting.

FINDING NUMBER 2001-41167-002

Reportable Condition

The Township receives general property tax and tangible personal property tax revenue from the Portage County Auditor's office. The County Auditor's office provides a "tax settlement sheet" to subentities, which reflects gross and net revenue distribution amounts along with deductions for each tax issuance and/or purpose. The County Auditor's office disburses tax revenue net of any county auditor and treasurer fees. However, recipients are to record revenue at gross amounts (before deductions) and then record an expense for the amount of the county auditor and treasurer fees.

In fiscal year 2000, the Township Clerk recorded general property tax and tangible personal property tax revenue at a net amount to the General Fund and the Road & Bridge Fund (a special revenue fund). In addition, the Clerk also did not record any expenses for county auditor and treasurer fees. In 2001, the Clerk was not consistent as to the method of posting general property tax and tangible personal property tax revenue to the Township's accounting system. There were instances in which revenue was correctly posted at gross amounts, but more often, they were posted incorrectly at a net amount. This is true regarding the recording of the deductions. Sometimes they were recorded, but most of the time they were not.

We recommend the Clerk to record general property tax and tangible personal property tax revenue at gross distribution amounts as reflected on the County Auditor tax settlement sheets. We also recommend that deductions (for county auditor and treasurer fees) be recorded on the Township's accounting system.

FINDING NUMBER 2001-41167-003

Reportable Condition

During testing we noted certain immaterial instances of noncompliance pertaining to the budgetary requirements established by the Ohio Revised Code, which indicate a general weakness in internal control over the budgetary process.

This weakness may hinder the ability of the Township to materially comply with budgetary requirements established by the Ohio Revised Code. Additionally, complying with these budgetary requirements serves to improve internal control over financial management and financial reporting.

We recommend the Township become familiar with the applicable budgetary requirements of the Ohio Revised Code. In order to obtain a basic understanding of the significant budgetary provisions applicable to the Township, the Township should review Chapter 1 of the *Ohio Compliance Supplement*, prepared by the Auditor of State. The Township should review its budgetary process and design policies and procedures to help ensure compliance with the applicable budgetary requirements. As part of its budgetary process, the Township should monitor budget and actual balances on a regular basis (e.g., monthly) and amend the budget when it becomes necessary to do so. The Township should also consider utilizing the checklist provided by the County Auditor which identifies when certain budgetary items are due.

FINDING NUMBER 2001-41167-004

Reportable Condition/Material Weakness

Monthly Cash Reconciliations not Performed

The Clerk performs a manual reconciliation of the Township's bank balances to fund balances on a monthly basis. The Clerk stated that the UAN system is not utilized for reconciling purposes. The Board of Trustees do not monitor or review that reconciliations have been performed. Due to the size and complexity of the Township, segregation of duties is limited. Therefore, it is vital that proper monitoring review takes place.

The Clerk was unable to produce the monthly cash reconciliations she manually prepared for fiscal year 2001. We were able to retrieve the December 2001 cash reconciliation from the UAN Workbench. It was also noted during this retrieval, that the December reconciliation was the only monthly UAN reconciliation prepared in 2001. The December 2001 cash reconciliation was not complete or accurate. The Clerk did provide us with all the monthly cash reconciliations for fiscal year 2000. All of them were prepared through the UAN system. The December 2000 cash reconciliation was not complete or accurate. The problem of cash reconciliations being incomplete and inaccurate was noted in the prior audit, and a management letter recommendation was made for the Township and the Clerk to address the problem.

The Township earns interest revenue from Middlefield Banking Company on a money market account and a CD. The interest from these two sources is earned and paid monthly and quarterly, respectively. For fiscal year 2000, all interest revenue earned from January to June was posted on 6/24/00 and interest earned from July to December was posted on 12/29/00. For fiscal year 2001, all interest revenue earned during the year was posted on 12/29/00. This is not considered to be adequate and timely posting of financial activity.

FINDING NUMBER 2001-41167-004
(Continued)

We recommend that cash reconciliations be performed monthly by the Clerk through the UAN system. We also recommend that monthly reconciliations be reviewed and approved by at least one Trustee. The Trustee appointed to review monthly cash reconciliations should sign off on the reconciliation as evidence of the review. This review could also be performed at a meeting and be documented in the minutes. The Clerk should document and maintain any discrepancies noted or adjustments made. We also recommend the Clerk post interest revenue earned on a monthly basis. There may be a better chance that cash reconciliations would be more complete and accurate if interest revenue is posted when earned.

Implementation of these recommendations may help strengthen the controls over financial reporting.



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
FEBRUARY 6, 2003**