

**NEW RUSSIA TOWNSHIP**

LORAIN COUNTY

INDEPENDENT ACCOUNTANTS' REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

Varney, Fink & Associates, Inc.  
Certified Public Accountants





# Dave Yost • Auditor of State

Board of Trustees  
New Russia Township  
45440 Butternut Ridge Road  
Oberlin, Ohio 44074

We have reviewed the *Independent Accountants' Report* of New Russia Township, Lorain County, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. New Russia 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

November 6, 2012

**NEW RUSSIA TOWNSHIP**  
**LORAIN COUNTY**  
FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND DECEMBER 31, 2010

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**INDEPENDENT ACCOUNTANTS' REPORT**

New Russia Township  
Lorain County  
45440 Butternut Ridge Road  
Oberlin, Ohio 44074

To the Board of Trustees:

We have audited the accompanying financial statements of New Russia Township, Lorain County, (the Township) as of and for the years ended December 31, 2011 and 2010. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1B, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of New Russia Township, Lorain

County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2010 New Russia Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 30, 2012

**New Russia Township  
Lorain County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2011**

	General	Special Revenue	Total (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$23,427	\$98,345	\$121,772
Licenses, Permits and Fees	1,092,739	0	1,092,739
Intergovernmental	95,390	102,936	198,326
Earnings on Investments	72,166	24	72,190
Miscellaneous	49,464	20	49,484
<i>Total Cash Receipts</i>	<u>1,333,186</u>	<u>201,325</u>	<u>1,534,511</u>
<b>Cash Disbursements</b>			
Current:			
General Government	553,022	0	553,022
Public Safety	155,155	0	155,155
Public Works	74,127	132,091	206,218
Health	26,989	0	26,989
Human Services	14,000	0	14,000
Capital Outlay	167,213	0	167,213
Debt Service:			
Principal Retirement	14,867	0	14,867
<i>Total Cash Disbursements</i>	<u>1,005,373</u>	<u>132,091</u>	<u>1,137,464</u>
<i>Net Change in Fund Cash Balances</i>	327,813	69,234	397,047
<i>Fund Cash Balances , January 1</i>	<u>5,665,152</u>	<u>251,885</u>	<u>5,917,037</u>
<b>Fund Cash Balances , December 31</b>			
Restricted for Road Maintenance and Improvements	0	110,523	110,523
Assigned to Encumbrances	60,412	0	60,412
Committed for Road Maintenance and Improvements	0	210,596	210,596
Unassigned	5,932,553	0	5,932,553
<i>Fund Cash Balances , December 31</i>	<u><u>\$5,992,965</u></u>	<u><u>\$321,119</u></u>	<u><u>\$6,314,084</u></u>

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

**New Russia Township  
Lorain County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balance (Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2011**

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	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Licenses, Permits and Fees	<u>\$7</u>
<i>Total Operating Cash Receipts</i>	<u>7</u>
<b>Operating Cash Disbursements</b>	
Other	<u>7</u>
<i>Total Operating Cash Disbursements</i>	<u>7</u>
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	<u>0</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$0</u></u>

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

**New Russia Township  
Lorain County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2010**

	General	Special Revenue	Capital Projects	Total (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$23,824	\$99,676	\$0	\$123,500
Licenses, Permits and Fees	1,367,059	0	0	1,367,059
Intergovernmental	69,960	112,986	150,000	332,946
Earnings on Investments	69,157	110	0	69,267
Miscellaneous	70,590	0	0	70,590
<i>Total Cash Receipts</i>	<u>1,600,590</u>	<u>212,772</u>	<u>150,000</u>	<u>1,963,362</u>
<b>Cash Disbursements</b>				
Current:				
General Government	636,715	0	0	636,715
Public Safety	149,894	0	0	149,894
Public Works	361,380	197,161	0	558,541
Health	24,510	0	0	24,510
Human Services	26,000	0	0	26,000
Capital Outlay	73,952	59,000	203,116	336,068
Debt Service:				
Principal Retirement	14,867	0	0	14,867
<i>Total Cash Disbursements</i>	<u>1,287,318</u>	<u>256,161</u>	<u>203,116</u>	<u>1,746,595</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	<u>313,272</u>	<u>(43,389)</u>	<u>(53,116)</u>	<u>216,767</u>
<b>Other Financing Receipts</b>				
OPWC Loan Proceeds	0	0	53,116	53,116
Sale of Capital Assets	0	50,400	0	50,400
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>50,400</u>	<u>53,116</u>	<u>103,516</u>
<i>Net Change in Fund Cash Balance</i>	313,272	7,011	0	320,283
<i>Fund Cash Balances , January 1</i>	<u>5,351,880</u>	<u>244,874</u>	<u>0</u>	<u>5,596,754</u>
<b>Fund Cash Balances , December 31</b>				
Restricted for Road Maintenance and Improvements	0	45,898	0	45,898
Assigned to Encumbrances	214,601	0	0	214,601
Committed for Road Maintenance and Improvements	0	205,987	0	205,987
Unassigned	5,450,551	0	0	5,450,551
<i>Fund Cash Balances , December 31</i>	<u>\$5,665,152</u>	<u>\$251,885</u>	<u>\$0</u>	<u>\$5,917,037</u>

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

**New Russia Township  
Lorain County, Ohio  
Combined Statement of Receipts, Disbursements  
and Changes in Fund Balance (Cash Basis)  
Fiduciary Fund Type  
For the Year Ended December 31, 2010**

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	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Licenses, Permits and Fees	<u>\$12</u>
<i>Total Operating Cash Receipts</i>	<u>12</u>
<b>Operating Cash Disbursements</b>	
Other	<u>12</u>
<i>Total Operating Cash Disbursements</i>	<u>12</u>
<i>Net Change in Fund Cash Balance</i>	0
<i>Fund Cash Balance, January 1</i>	<u>0</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$0</u></u>

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

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of New Russia Township, Lorain 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. The Township contracts with the City of Oberlin and the Village of South Amherst for fire protection and is served by the Central Lorain County Ambulance District for ambulance services. Police protection is provided by the Lorain County Sheriff.

The Township belongs to the Ohio Township Association Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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.

Investments in STAR Ohio are valued at Star Ohio's share price, which is the price the investment could be sold for on December 31, 2011 and 2010.

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**3. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

OPWC Fund – The Township received a grant and a loan from the Ohio Public Works Commission for Bitternut Ridge Road Improvements

**4. Fiduciary Funds**

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for a three percent Board of Building Standards fee that is remitted to the State of Ohio.

NEW RUSSIA TOWNSHIP  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and department level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

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

A summary of 2011 and 2010 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,

NEW RUSSIA TOWNSHIP  
LORAIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)

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 amends 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 Trustee or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

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

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

**G. Property, Plant, and Equipment**

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

**H. Accumulated Leave**

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

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**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:

	2011	2010
Demand deposits	\$379,243	\$0
Certificates of deposit	5,451,699	5,379,809
Other time deposits (savings and NOW accounts)	223,281	277,513
Total deposits	6,054,223	5,657,322
STAR Ohio	259,861	259,715
Total investments	259,861	259,715
Total deposits and investments	\$6,314,084	\$5,917,037

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$1,266,051	\$1,333,186	\$67,135
Special Revenue	217,135	201,325	(15,810)
Total	\$1,483,186	\$1,534,511	\$51,325

2011 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation	Budgetary	
Fund Type	Authority	Expenditures	Variance
General	\$2,814,601	\$1,065,785	\$1,748,816
Special Revenue	384,775	135,022	249,753
Total	\$3,199,376	\$1,200,807	\$1,998,569

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,266,217	\$1,600,590	\$334,373
Special Revenue	206,196	263,172	56,976
Capital Projects	0	203,116	203,116
Total	<u>\$1,472,413</u>	<u>\$2,066,878</u>	<u>\$594,465</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,983,098	\$1,501,919	\$1,481,179
Special Revenue	392,980	256,236	136,744
Capital Projects	0	203,116	(203,116)
Total	<u>\$3,376,078</u>	<u>\$1,961,271</u>	<u>\$1,414,807</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects - OPWC Fund by \$203,116 for the year ended December 31, 2010.

**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.

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.

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1999 OPWC Loan CI53B	\$13,911	0%
2003 OPWC Loan CI16F	7,703	0%
2005 OPWC Loan CI06H	42,140	0%
2010 OPWC Loan CI02N	<u>53,116</u>	0%
Total	<u><u>\$116,870</u></u>	

The OPWC Loans were for Butternut Ridge Road Improvement, Butternut Ridge Road Reconstruction, East Hamilton Road Reconstruction, and Butternut Ridge Road Improvements.

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

Year ending December 31:	<u>1999 OPWC Loan CI53B</u>	<u>2003 OPWC Loan CI16F</u>	<u>2005 OPWC Loan CI06H</u>	<u>2010 OPWC Loan CI02N</u>
2012	\$4,637	\$2,568	\$7,662	\$885
2013	4,637	2,568	7,662	1,771
2014	4,637	2,567	7,662	1,771
2015	0	0	7,662	1,771
2016	0	0	7,662	1,771
2017-2021	0	0	3,830	8,853
2022-2026	0	0	0	8,853
2027-2031	0	0	0	8,853
2032-2036	0	0	0	8,853
2037-2041	0	0	0	8,853
2042-2046	<u>0</u>	<u>0</u>	<u>0</u>	<u>882</u>
Total	<u><u>\$13,911</u></u>	<u><u>\$7,703</u></u>	<u><u>\$42,140</u></u>	<u><u>\$53,116</u></u>

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

\$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$10,780.

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2011</u></b>	<b><u>2010</u></b>
\$17,162	\$14,568

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.

**8. Subsequent Events**

Subsequent events were evaluated by management through June 30, 2012, the date the financial statements were available to be issued.

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

New Russia Township  
Lorain County  
45440 Butternut Ridge Road  
Oberlin, Ohio 44074

To the Board of Trustees:

We have audited the financial statements of New Russia Township, Lorain County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 30, 2012, wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted a matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 30, 2012.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.

*Varney, Fink & Associates*

VARNEY, FINK & ASSOCIATES, INC.  
Certified Public Accountants

June 30, 2012

**NEW RUSSIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

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

**FINDING NUMBER 2011-01**

**Noncompliance Citation**

Section 5705.41(B) Ohio Revised Code, states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2010, the Township did not budget for the OPWC loan and grant activity causing expenditures to exceed appropriations in the following fund:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
OPWC Fund	\$0	\$203,116	(\$203,116)

We recommend the Township review and follow the accounting and budgeting guidance from AOS Bulletin 2002-004.

**Officials Response:** The appropriation in question was for a 2010 OPWC loan and grant that did not pass through the Township. The Township will properly appropriate for any future OPWC loans and/or grants.

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# Dave Yost • Auditor of State

**NEW RUSSIA TOWNSHIP**

**LORAIN 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  
NOVEMBER 20, 2012**