



**Auditor of State
Betty Montgomery**

**NELSON TOWNSHIP
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Nonexpendable Trust Fund - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Nonexpendable Trust Fund - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	19

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, Portage County (the Township) as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments

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, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 3, the Township restated their January 1, 2002 fund cash balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2006 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 30, 2006

**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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$63,425	\$175,730	\$0	\$0	\$239,155
Intergovernmental	122,772	69,428			192,200
Licenses, Permits, and Fees	10,161	2,988			13,149
Earnings on Investments	3,485	1,807			5,292
Other Revenue	2,438	1,494			3,932
Total Cash Receipts	202,281	251,447			453,728
Cash Disbursements:					
Current:					
General Government	166,437	1,877			168,314
Public Works	7,064	186,395			193,459
Health		3,968			3,968
Redemption of Principal			129		129
Capital Outlay	860	51,206		9,640	61,706
Total Cash Disbursements	174,361	243,446	129	9,640	427,576
Total Receipts Over/(Under) Disbursements	27,920	8,001	(129)	(9,640)	26,152
Other Financing Receipts and (Disbursements):					
Sale of Bonds				13,135	13,135
Transfers-In			300		300
Transfers-Out	(300)				(300)
Other Sources	6,118				6,118
Total Other Financing Receipts/(Disbursements)	5,818		300	13,135	19,253
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	33,738	8,001	171	3,495	45,405
Fund Cash Balances, January 1	5,810	164,543			170,353
Fund Cash Balances, December 31	\$39,548	\$172,544	\$171	\$3,495	\$215,758
Reserve for Encumbrances, December 31	\$1,981	\$981	\$0	\$0	\$2,962

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 - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Nonxpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$5</u>
Total Operating Receipts	<u>\$5</u>
Non-Operating Receipts/Disbursements:	
Miscellaneous Receipts	<u>\$8</u>
Total Non-Operating Receipts/Disbursements	<u>8</u>
Income	13
Fund Cash Balances, January 1	<u>622</u>
Fund Cash Balances, December 31	<u><u>\$635</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, 2002**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$56,567	\$168,716	\$225,283
Intergovernmental	101,971	70,689	172,660
Licenses, Permits, and Fees	4,858	2,575	7,433
Earnings on Investments	2,010	2,090	4,100
Other Revenue	4,487	4,155	8,642
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	169,893	248,225	418,118
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	151,862		151,862
Public Works	20,284	189,282	209,566
Health		1,173	1,173
Capital Outlay	4,994	1,000	5,994
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	177,140	191,455	368,595
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(7,247)	56,770	49,523
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Other Sources	3,484		3,484
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	3,484		3,484
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(3,763)	56,770	53,007
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1 (See Note 3)	9,573	107,773	117,346
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$5,810</u>	<u>\$164,543</u>	<u>\$170,353</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$10,785</u>	<u>\$3,899</u>	<u>\$14,684</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 - NON-EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Nonxpendable Trust</u>
Operating Cash Receipts:	
Earnings on Investments	\$0
Fund Cash Balances, January 1	<u>622</u>
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**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

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 road and bridge maintenance and cemetery maintenance.

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

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.

B. Basis of Accounting

These financial statements follow the basis of accounting 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. Cash and Investments

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

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

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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. Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt.

4. Capital Project Funds

These fund account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

New Service Building – This fund will account for the construction of the new service building for the Township.

5. Fiduciary Fund (Non-Expendable Trust Fund)

This fund is used to account for resources restricted by a legally binding trust agreement and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund – This fund must maintain the corpus of the trust, but the interest earned may be spent on cemetery maintenance.

E. Budgetary Process

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

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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. 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 re-appropriated.

A summary of 2003 and 2002 budgetary activity appears in Note 4.

F. 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.

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$34,529	(\$1,317)
Certificates of deposit	500	500
Money Market Account	181,364	171,792
Total deposits and investments	<u>\$216,393</u>	<u>\$170,975</u>

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

Investments: Money Market funds are not evidenced by securities that exist in physical or book-entry form.

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. PRIOR PERIOD RESTATEMENT

During the two years ending December 31 2003 the Township made adjusting entries within the financial system which had an effect on the financial statement presentation. The following is a schedule reflecting the adjustments to the financial system which had an affect on reconciling prior period balances to current year's balances to begin the calendar year 2002 and 2003.

	General Fund	Special Revenue Fund
Fund Cash Balances, December 31 2001 (Before Adjustment)	\$9,023	\$107,873
Adjustments made by Township	550	(100)
Fund Cash Balances, January 1 2002 (After Adjustment)	\$9,573	\$107,773

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$211,708	\$208,399	(\$3,309)
Special Revenue	395,110	251,447	(143,663)
Debt Service	0	300	300
Capital Projects	15,000	13,135	(1,865)
Fiduciary	10	13	3
Total	\$621,828	\$473,294	(\$148,534)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,750	\$176,643	\$53,107
Special Revenue	339,550	244,427	95,123
Debt Service	0	129	(129)
Capital Projects	0	9,460	(9,460)
Fiduciary	0	0	0
Total	\$569,300	\$430,659	\$138,641

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,533	\$173,377	\$27,844
Special Revenue	380,047	248,225	(131,822)
Fiduciary	87	0	(87)
Total	\$525,667	\$421,602	(\$104,065)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$240,950	\$187,925	\$53,025
Special Revenue	335,000	195,354	139,646
Fiduciary	0	0	0
Total	\$575,950	\$383,279	\$192,671

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$13,135	4.5%

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Through the United States Department of Agriculture (USDA), the Township issued general obligation bonds in the amount of \$400,000 to finance the construction of a New Service Building. The Township's taxing authority collateralized the bonds. The monies are drawn down from the USDA as the project is completed in stages. The Township received \$13,135 during 2003 which is reflected on the financial statements. As the project moves forward the amount of the issuance of bonds increases with respect to the amount of draw downs made by the Township. The remaining amount to be drawn down during 2004 and 2005 is \$386,865.

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

Year ending December 31:	General Obligation Bonds
2004	\$6,000
2005	7,000
2006	7,000
2007	7,000
2008	8,000
2009 - 2013	44,000
2014 - 2018	55,000
2019 - 2023	69,000
2024 - 2028	87,000
2029 - 2033	110,000
Total	\$400,000

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2003 and 2002, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Risk Pool Membership

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage 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.

**NELSON TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

8. RISK MANAGEMENT – (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, 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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 township.

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 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

9. LEGAL COMPLIANCE

The Township was in violation of Sections 5705.34, 5905.38, 5705.28, 5705.39, and 5705.40 of the Ohio Revised Code. See the Schedule of Findings beginning on Page 17.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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 3117
Garrettsville, OH 44231

To the Board of Trustees:

We have audited the accompanying financial statements of the Nelson Township (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 30, 2006 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed implemented, and as requested, operates UAN. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. These reportable conditions are described in the accompanying schedule of findings as items 2003-001 and, 2003-002.

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. Of the reportable conditions described above we believe 2003-001 to be a material weakness. In a separate letter to the Township management dated May 30, 2006, we reported a matter involving internal control over financial reporting which we did not deem a reportable condition.

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Compliance and Other Matters

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 instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 30, 2006.

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



Betty Montgomery
Auditor of State

May 30, 2006

NELSON TOWNSHIP
PORTAGE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2003-001
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Reportable Condition

Monthly Reconciliations not performed:

All bank accounts should be reconciled to the Township's financial accounting system on a monthly basis to ensure completeness and accuracy over transactions and to ensure the accuracy of checks clearing the bank.

The Township did not perform monthly cash reconciliations for 2002 and 2003. Because of this we declared the Township unauditible which caused a significant delay and additional audit costs in finalizing the audit. The Township was required to hire a CPA firm to perform the reconciliations for the audit period. The prior two consecutive audits noted the same exception.

In addition, the Board of Trustees did not monitor or review reconciliations during their regular meetings. Due to the size and complexity of the Township, segregation of duties is limited; therefore it's very important for the Trustees to monitor the reconciling activities of the Clerk on a monthly basis.

We recommend the 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 regular board meeting and be documented in the minutes. The Clerk should document and maintain any discrepancies noted or adjustments made in the course of performing the monthly reconciliation.

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

Officials' Response:

The Fiscal Officer has been reconciling the bank accounts on a monthly basis since January 2005 using the UAN System. The reconciliation reports are presented to the Trustees for review. After each Trustee reviews the report they sign the report to as an acknowledgement of review. From this time forward this action will be recorded in the minutes of the Board meetings.

Finding Number	2003-002
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Reportable Condition

Recommendation Budgetary:

We noted several 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.

These weaknesses 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.

**NELSON TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	2003-002 (Continued)
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Reportable Condition

Recommendation Budgetary - Continued:

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.

Also, 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.

The following comments are a listing of the immaterial instances of noncompliance noted in the management letter regarding budgetary violations:

- Ohio Revised Code § 5705.34 for failure to pass the necessary resolution to authorize the tax levies.
- Ohio Revised Code § 5705.38 for failure to pass an appropriation measure in a timely manner.
- Ohio Revised Code § 5705.28 for failure to pass a tax budget in a timely manner.
- Ohio Revised Code § 5705.39 for failure to amend or supplement the appropriation measure so it does not exceed the estimated resources in any fund.
- Ohio Revised Code § 5705.40 for failure amend the appropriation measure to cover current year expenditures.

Officials' Response:

The Township will review Chapter One of the Ohio Compliance Supplement. In order to come into compliance the Township will design polices and procedures to ensure budgetary requirements are met. To further ensure compliance the Township will monitor the budget, the appropriations, and the actual balances on a regular monthly basis and take the necessary actions as determined by review of these reports.

**NELSON TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2001-41167-001	Review and Approval of Financial Reports	Yes	
2001-41167-002	Recording property tax at the Gross Amount rather than the Net Amount	Yes	
2001-41167-003	Budgetary Requirements	No	Reissued as Finding Number 2003-002
2001-41167-004	Non Performance of Cash Reconciliations	No	Reissued as Finding Number 2003-001



**Auditor of State
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NELSON TOWNSHIP

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 06, 2006**