

SHALERSVILLE TOWNSHIP

PORTAGE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2012 and 2011





Dave Yost • Auditor of State

Board of Trustees
Shalersville Township
4519 Route 303
Ravenna, Ohio 44266

We have reviewed the *Independent Auditors' Report* of the Shalersville Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shalersville 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

September 25, 2013

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**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

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INDEPENDENT AUDITORS' REPORT

Shalersville Township
Portage County
4519 Route 303
Ravenna, Ohio 44266

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Shalersville Township, Portage County, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Shalersville Township, Portage County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Shalersville Township, Portage County, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
July 12, 2013

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$120,561	\$149,004	\$0	\$0	\$269,565
Charges for Services	0	907	0	0	907
Licenses, Permits and Fees	35,949	0	0	0	35,949
Intergovernmental	110,780	114,774	88,521	0	314,075
Special Assessments	0	3,973	0	0	3,973
Earnings on Investments	1,848	262	0	0	2,110
Miscellaneous	75,505	665	0	0	76,170
<i>Total Cash Receipts</i>	<u>344,643</u>	<u>269,585</u>	<u>88,521</u>	<u>0</u>	<u>702,749</u>
Cash Disbursements					
Current:					
General Government	218,098	0	0	0	218,098
Public Works	23,520	220,700	0	0	244,220
Health	25,719	0	0	0	25,719
Human Services	0	2,215	0	0	2,215
Conservation-Recreation	3,472	0	0	0	3,472
Capital Outlay	14,922	2,870	88,521	0	106,313
<i>Total Cash Disbursements</i>	<u>285,731</u>	<u>225,785</u>	<u>88,521</u>	<u>0</u>	<u>600,037</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	58,912	43,800	0	0	102,712
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	0	4,300	0	0	4,300
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>4,300</u>	<u>0</u>	<u>0</u>	<u>4,300</u>
<i>Net Change in Fund Cash Balances</i>	58,912	48,100	0	0	107,012
<i>Fund Cash Balances, January 1</i>	<u>506,571</u>	<u>265,409</u>	<u>0</u>	<u>3,672</u>	<u>775,652</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	2,053	2,053
Restricted	0	313,509	0	1,619	315,128
Assigned	6,921	0	0	0	6,921
Unassigned	558,562	0	0	0	558,562
<i>Fund Cash Balances, December 31</i>	<u><u>\$565,483</u></u>	<u><u>\$313,509</u></u>	<u><u>\$0</u></u>	<u><u>\$3,672</u></u>	<u><u>\$882,664</u></u>

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

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Types
	Agency
Operating Cash Receipts	
<i>Total Operating Cash Receipts</i>	\$0
Operating Cash Disbursements	
Supplies and Materials	48
<i>Total Operating Cash Disbursements</i>	48
<i>Net Change in Fund Cash Balances</i>	(48)
<i>Fund Cash Balances, January 1</i>	27,606
<i>Fund Cash Balances, December 31</i>	\$27,558

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

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$119,861	\$148,174	\$0	\$0	\$268,035
Charges for Services	0	900	0	0	900
Licenses, Permits and Fees	36,654	0	0	0	36,654
Intergovernmental	64,974	114,992	28,000	0	207,966
Special Assessments	0	3,694	0	0	3,694
Earnings on Investments	3,133	774	0	0	3,907
Miscellaneous	103,018	51,691	0	0	154,709
<i>Total Cash Receipts</i>	<u>327,640</u>	<u>320,225</u>	<u>28,000</u>	<u>0</u>	<u>675,865</u>
Cash Disbursements					
Current:					
General Government	237,889	0	0	0	237,889
Public Safety	0	10	0	0	10
Public Works	27,544	173,798	0	0	201,342
Health	22,592	0	0	0	22,592
Human Services	0	3,094	0	0	3,094
Conservation-Recreation	3,802	0	0	0	3,802
Other	0	16	0	0	16
Capital Outlay	19,351	185,848	28,000	0	233,199
Debt Service:					
Principal Retirement	40,588	0	0	0	40,588
Interest and Fiscal Charges	1,822	0	0	0	1,822
<i>Total Cash Disbursements</i>	<u>353,588</u>	<u>362,766</u>	<u>28,000</u>	<u>0</u>	<u>744,354</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(25,948)	(42,541)	0	0	(68,489)
Other Financing Receipts (Disbursements)					
Other Financing Uses	(22,226)	0	0	0	(22,226)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(22,226)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,226)</u>
<i>Net Change in Fund Cash Balances</i>	(48,174)	(42,541)	0	0	(90,715)
<i>Fund Cash Balances, January 1</i>	<u>554,745</u>	<u>307,950</u>	<u>0</u>	<u>3,672</u>	<u>866,367</u>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	2,053	2,053
Restricted	0	265,409	0	1,619	267,028
Unassigned	506,571	0	0	0	506,571
<i>Fund Cash Balances, December 31</i>	<u>\$506,571</u>	<u>\$265,409</u>	<u>\$0</u>	<u>\$3,672</u>	<u>\$775,652</u>

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

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Fiduciary Fund Types
	<u>Agency</u>
Operating Cash Receipts	
Miscellaneous	<u>\$22,226</u>
<i>Total Operating Cash Receipts</i>	22,226
Operating Cash Disbursements	
Supplies and Materials	<u>35</u>
<i>Total Operating Cash Disbursements</i>	<u>35</u>
<i>Operating Income (Loss)</i>	22,191
Non-Operating Receipts	
Earnings on Investments	<u>11</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>11</u>
<i>Net Change in Fund Cash Balances</i>	22,202
<i>Fund Cash Balances, January 1</i>	<u>5,404</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$27,606</u></u>

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

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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 the Shalersville Township, Portage County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Mantua-Shalersville to provide fire protection and ambulance service.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Township Fiscal Officer invests all available funds of the Township in an interest-bearing checking account and certificates of deposit. Certificates of deposit are valued at cost.

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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 Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio for Spring Hill Development and other construction projects.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (continued)

5. 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 fire insurance reimbursements paid on behalf of an insured claim. The Township holds the funds on a custodial basis for a private party.

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, 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. 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 2012 and 2011 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:

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (continued)

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

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

4. Assigned

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

5. Unassigned

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

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.

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (continued)

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.

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:

	2012	2011
Demand deposits	\$423,333	\$318,754
Certificates of deposit	5,357	43,792
Other time deposits (savings and NOW accounts)	481,532	440,712
Total deposits	\$910,222	\$803,258

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$335,244	\$344,643	\$9,399
Special Revenue	268,070	273,885	5,815
Capital Projects	120,000	88,521	(31,479)
Total	\$723,314	\$707,049	(\$16,265)

2012 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$540,438	\$292,652	\$247,786
Special Revenue	341,650	225,785	115,865
Capital Projects	120,000	88,521	31,479
Total	\$1,002,088	\$606,958	\$395,130

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$327,640	\$327,640	\$0
Special Revenue	320,225	320,225	0
Capital Projects	28,000	28,000	0
Total	\$675,865	\$675,865	\$0

2011 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$619,645	\$375,814	\$243,831
Special Revenue	501,875	362,766	139,109
Capital Projects	28,000	28,000	0
Total	\$1,149,520	\$766,580	\$382,940

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. 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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

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

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$9,091.

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Risk Management (continued)

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.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$15,409	\$16,552

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.

7. Contingent Liabilities

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Shalersville Township
Portage County
4519 Rte 303
Ravenna, Ohio 44266

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Shalersville Township, Portage County (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated July 12, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township implemented Governmental Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 12, 2013.

Entity's Response to Finding

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
July 12, 2013

**SHALERSVILLE TOWNSHIP
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Material Weakness

The Ohio Township' Handbook and the UAN accounting system provide suggested fund and account classifications. These funds and accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2012 and 2011, the Township recorded incorrectly the following transactions.

- In 2011, Principal Retirement and Interest and Other Fiscal Charges were classified as Capital Outlay expenditures.
- In 2011 and 2012, franchise fees were classified as miscellaneous revenues rather than fees, licenses and permits.
- A non-profit grant was classified as intergovernmental revenue rather than miscellaneous revenues.

We also noted the Township has two bequest funds, the Nelson bequest and the Halstead bequest. These are non-expendable trusts in that only the interest earnings are allowed to be spent.

The Township has recorded these in the past as Permanent Funds. During the audit period, the Township reclassified them to Agency Funds. We recommend that they be correctly classified and maintained as Permanent Funds, as required by AOS bulletin 2005-005 and Governmental Accounting Standards Board Statement Number 54.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-07-01, the Ohio Township Handbook and UAN manual for guidance to determine the proper posting of receipts and disbursements and for proper fund categorization. The financial statements and the Township's records have been modified to properly classify all the above adjustments.

Management's Response:

Management will strive to comply with receipt and disbursement postings and fund classifications.



Dave Yost • Auditor of State

SHALERSVILLE 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
OCTOBER 8, 2013**