



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

REILY TOWNSHIP
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2001	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Nonexpendable Trust Fund - For the Year Ended December 31, 2001	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2000	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Nonexpendable Trust Fund - For the Year Ended December 31, 2000	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Reily Township
Butler County
6937 Imhoff Road
Oxford, Ohio 45056

To the Board of Trustees:

We have audited the accompanying financial statements of Reily Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2002 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Reily Township
Butler County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

August 21, 2002

**REILY TOWNSHIP
BUTLER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$71,775	\$155,677	\$31,000		\$258,452
Intergovernmental	170,596	101,803		\$17,100	289,499
Licenses, Permits, and Fees	2,940	3,734			6,674
Earnings on Investments	12,353	248			12,601
Other Revenue	9,400	12,339			21,739
	<u>267,064</u>	<u>273,801</u>	<u>31,000</u>	<u>17,100</u>	<u>588,965</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	91,191				91,191
Public Safety	28,921	47,444			76,365
Public Works	270,990	165,394			436,384
Health	1,347	7,409			8,756
Debt Service:					
Redemption of Principal			26,667		26,667
Interest and Fiscal Charges			4,287		4,287
Capital Outlay		47,075		17,100	64,175
	<u>392,449</u>	<u>267,322</u>	<u>30,954</u>	<u>17,100</u>	<u>707,825</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>(125,385)</u>	<u>6,479</u>	<u>46</u>	<u>0</u>	<u>(118,860)</u>
Other Financing Receipts :					
Other Sources	<u>3,757</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,757</u>
Total Other Financing Receipts					
	<u>3,757</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,757</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements					
	(121,628)	6,479	46	0	(115,103)
Fund Cash Balances, January 1					
	<u>279,288</u>	<u>112,842</u>	<u>0</u>	<u>0</u>	<u>392,130</u>
Fund Cash Balances, December 31					
	<u><u>\$157,660</u></u>	<u><u>\$119,321</u></u>	<u><u>\$46</u></u>	<u><u>\$0</u></u>	<u><u>\$277,027</u></u>

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

REILY TOWNSHIP
BUTLER COUNTY

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

Operating Cash Receipts

Total Operating Cash Receipts 0

Operating Cash Disbursements:

Total Operating Cash Disbursements 0

Operating Income/(Loss) 0

Net Receipts Over/(Under)Disbursements 0

Fund Cash Balances, January 1 1,862

Fund Cash Balances, December 31 **\$1,862**

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

**REILY TOWNSHIP
BUTLER COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$69,973	\$182,484		\$252,457
Intergovernmental	129,689	99,297	\$26,096	255,082
Licenses, Permits, and Fees	1,500	1,825		3,325
Earnings on Investments	17,074	168		17,242
Other Revenue	28,332	12,690		41,022
	<u>246,568</u>	<u>296,464</u>	<u>26,096</u>	<u>569,128</u>
Cash Disbursements:				
Current:				
General Government	91,705			91,705
Public Safety	14,881	73,759		88,640
Public Works	36,492	133,304		169,796
Health	1,710	3,794		5,504
Capital Outlay	109,599	90,557	26,096	226,252
	<u>254,387</u>	<u>301,414</u>	<u>26,096</u>	<u>581,897</u>
Total Cash Disbursements	<u>254,387</u>	<u>301,414</u>	<u>26,096</u>	<u>581,897</u>
Total Receipts Over/(Under) Disbursements	<u>(7,819)</u>	<u>(4,950)</u>	<u>0</u>	<u>(12,769)</u>
Other Financing Receipts and (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes	80,000			80,000
Advances-In	50,000	50,000		100,000
Other Sources	20			20
Advances-Out	(50,000)	(50,000)	0	(100,000)
	<u>80,020</u>	<u>0</u>	<u>0</u>	<u>80,020</u>
Total Other Financing Receipts/(Disbursements)	<u>80,020</u>	<u>0</u>	<u>0</u>	<u>80,020</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	72,201	(4,950)	0	67,251
Fund Cash Balances, January 1	<u>207,087</u>	<u>117,792</u>	<u>0</u>	<u>324,879</u>
Fund Cash Balances, December 31	<u>\$279,288</u>	<u>\$112,842</u>	<u>\$0</u>	<u>\$392,130</u>

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

REILY TOWNSHIP
BUTLER COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2000

Operating Cash Receipts

Total Operating Cash Receipts 0

Operating Cash Disbursements:

Total Operating Cash Disbursements 0

Operating Income/(Loss) 0

Net Receipts Over/(Under)Disbursements 0

Fund Cash Balances, January 1 1,862

Fund Cash Balances, December 31 **\$1,862**

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

**REILY TOWNSHIP
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Reily Township, Butler 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, cemetery maintenance, fire protection and emergency medical services

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**REILY TOWNSHIP
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fire District Fund - This fund receives property tax money for maintaining fire protection services.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following Debt Service Fund:

General Bond Retirement Fund - This fund receives property tax money for the payment of principal and interest for the Township's fire truck loan.

4. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Community Center Renovation - The Township received a Community Development Block grant for renovation on the Community Center.

5. Fiduciary Funds (Trust Fund)

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following Nonexpendable Trust Fund:

Cemetery Bequest Fund - The Township has an agreement to maintain the corpus of this trust. This fund receives interest income which is used for cemetery maintenance.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**REILY TOWNSHIP
BUTLER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	2001	2000
Demand deposits	\$146,192	\$157,135
Certificates of deposit	132,697	236,857
Total deposits	\$278,889	\$393,992

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,684	\$270,821	\$83,137
Special Revenue	240,855	273,801	32,946
Debt Service	31,000	31,000	0
Capital Project	0	17,100	17,100
Fiduciary	0	0	0
Total	\$459,539	\$592,722	\$133,183

**REILY TOWNSHIP
BUTLER COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$460,473	\$392,449	\$68,024
Special Revenue	353,697	267,322	86,375
Debt Service	31,000	30,954	46
Capital Project	0	17,100	(17,100)
Fiduciary	1,862	0	1,862
Total	<u>\$847,032</u>	<u>\$707,825</u>	<u>\$139,207</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$286,037	\$326,588	\$40,551
Special Revenue	286,080	296,464	10,384
Capital Project	0	26,096	26,096
Fiduciary	0	0	0
Total	<u>\$572,117</u>	<u>\$649,148</u>	<u>\$77,031</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$493,124	\$254,387	\$238,737
Special Revenue	386,872	301,414	85,458
Capital Project	0	26,096	(26,096)
Fiduciary	1,862	0	1,862
Total	<u>\$881,858</u>	<u>\$581,897</u>	<u>\$299,961</u>

Contrary to Ohio law, the Community Development Block grant of \$17,100 and \$26,096 were not recorded in the ledgers or budgeted during fiscal year 2001 and 2000, respectively.

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

**REILY TOWNSHIP
BUTLER COUNTY**

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

4. PROPERTY TAX (Continued)

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$53,333	5.75%

The Township issued \$80,000 promissory note in October 2000, for the purchase of a new fire truck. The notes will be repaid in semi-annual installments of 13,333, with interest rate of 5.75%, over a three year period, maturing in October 2003. The promissory notes are direct obligations and pledge the full faith and credit of the government.

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

	Promissory Note
Year ending December 31:	
2002	29,349
2003	27,816
Total	\$57,165

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

7. RISK POOL MEMBERSHIP

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty insurance for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**REILY TOWNSHIP
BUTLER COUNTY**

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

7. RISK POOL MEMBERSHIP (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

Property Coverage

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

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claim 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, which is the latest information available.

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u>\$14,324,773</u>	<u>\$13,759,409</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Reily Township
Butler County
6937 Imhoff Road
Oxford, Ohio 45056

To the Board of Trustees:

We have audited the accompanying financial statements of Reily Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated August 21, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-40409-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated August 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 21, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

Jim Petro
Auditor of State

August 21, 2002

**REILY TOWNSHIP
BUTLER COUNTY**

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

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

FINDING NUMBER 2001-40409-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F) requires the Township to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Township appropriations.

As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Rev. Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk did not record the Community Development Block Grant (CDBG) disbursed to the Township under the Butler County Community Development program, nor was this grant money included in the appropriations by the Board of Trustees for fiscal year 2001 and 2000. However, the receipts and disbursements for the fiscal year 2001 and 2000 grants of \$17,100 and \$26,096 respectively, have been recorded on the audited financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

REILY TOWNSHIP

BUTLER 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
SEPTEMBER 17, 2002**