



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLAY TOWNSHIP
HIGHLAND COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Clay Township
Highland County
1440 Parrot Lane
Sardinia, Ohio 45171

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 generally accepted auditing standards 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, 2000 and 1999, 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 March 2, 2001, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees 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.

Jim Petro
Auditor of State

March 2, 2001

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**CLAY TOWNSHIP
HIGHLAND COUNTY**

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

	<u>Government Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$22,921	\$17,377	\$0	\$40,298
Intergovernmental	24,495	71,146	0	95,641
Special Assessments	0	1,379	0	1,379
Licenses, Permits, and Fees	0	8,915	0	8,915
Earnings on Investments	475	354	88	917
Other Revenue	340	5,775	0	6,115
	<u>48,231</u>	<u>104,946</u>	<u>88</u>	<u>153,265</u>
Total Cash Receipts				
	<u>48,231</u>	<u>104,946</u>	<u>88</u>	<u>153,265</u>
Cash Disbursements:				
Current:				
General Government	45,498	0	0	45,498
Public Safety	0	15,118	0	15,118
Public Works	323	67,906	0	68,229
Health	0	17,318	0	17,318
Capital Outlay	0	4,428	0	4,428
	<u>45,821</u>	<u>104,770</u>	<u>0</u>	<u>150,591</u>
Total Cash Disbursements				
	<u>45,821</u>	<u>104,770</u>	<u>0</u>	<u>150,591</u>
Total Receipts Over/(Under) Disbursements	<u>2,410</u>	<u>176</u>	<u>88</u>	<u>2,674</u>
Fund Cash Balances, January 1	<u>15,811</u>	<u>29,882</u>	<u>2,210</u>	<u>47,903</u>
Fund Cash Balances, December 31	<u>\$18,221</u>	<u>\$30,058</u>	<u>\$2,298</u>	<u>\$50,577</u>

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

**CLAY TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$21,489	\$16,425	\$0	\$37,914
Intergovernmental	22,224	68,495	0	90,719
Special Assessments	431	1,409	0	1,840
Licenses, Permits, and Fees	0	6,615	0	6,615
Earnings on Investments	487	346	88	921
Other Revenue	14	3,500	0	3,514
	<u>44,645</u>	<u>96,790</u>	<u>88</u>	<u>141,523</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	36,778	0	0	36,778
Public Safety	0	14,108	0	14,108
Public Works	158	76,910	0	77,068
Health	0	12,035	0	12,035
Miscellaneous	0	0	164	164
Capital Outlay	0	5,596	0	5,596
	<u>36,936</u>	<u>108,649</u>	<u>164</u>	<u>145,749</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>7,709</u>	<u>(11,859)</u>	<u>(76)</u>	<u>(4,226)</u>
Fund Cash Balances, January 1	<u>8,102</u>	<u>41,741</u>	<u>2,286</u>	<u>52,129</u>
Fund Cash Balances, December 31	<u>\$15,811</u>	<u>\$29,882</u>	<u>\$2,210</u>	<u>\$47,903</u>

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

**CLAY TOWNSHIP
HIGHLAND**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clay Township, Highland County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and cemetery maintenance, and fire protection.

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

The Township invests all available funds in a "Public Fund Now" checking account, and a certificate of deposit.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

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

**CLAY TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cemetery Fund - This fund receives the proceeds from the sale of cemetery lots for cemetery improvements.

Permissive Motor Vehicle License Tax Fund - This fund receives the additional license tax from the special tax levy for maintaining and repairing Township roads.

Fire Levy Fund - This fund receives proceeds from the property tax levy for providing fire protection to Township residence.

Cemetery Levy Fund - This fund receives proceeds from the property tax levy for maintaining Township cemeteries.

Lighting Assessment Fund - This fund receives proceeds from the special assessment on the residences of the unincorporated Village of Buford for street lights.

3. Fiduciary Funds (Nonexpendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. These funds are used to account for bequests to the Township for cemetery care.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

There were no material encumbrances outstanding at December 31, 2000 and 1999.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**CLAY TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$48,677	\$46,003
Certificate of deposit	<u>1,900</u>	<u>1,900</u>
Total deposits	<u>\$50,577</u>	<u>\$47,903</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts

General	\$44,528	\$48,231	\$3,703
Special Revenue	<u>102,892</u>	<u>104,946</u>	<u>2,054</u>
Total	<u>\$147,420</u>	<u>\$153,177</u>	<u>\$5,757</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,338	\$45,821	\$14,517
Special Revenue	<u>132,772</u>	<u>104,770</u>	<u>28,002</u>
Total	<u>\$193,110</u>	<u>\$150,591</u>	<u>\$42,519</u>

**CLAY TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,333	\$44,645	\$3,312
Special Revenue	97,800	96,790	(1,010)
Total	\$139,133	\$141,435	\$2,302

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$43,935	\$36,936	\$6,999
Special Revenue	139,539	108,649	30,890
Total	\$183,474	\$145,585	\$37,889

The Township did not obtain prior certification of the fiscal officer for all purchases nor were commitments properly encumbered as required by Ohio Revised Code Section 5705.41D.

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.

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

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

**CLAY TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. RISK MANAGEMENT

The Township has obtained insurance from the Ohio Township Association Risk Management Authority for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

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

Clay Township
Highland County
1440 Parrot Lane
Sardinia, Ohio 45171

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 2, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 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 2000-40436-001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention 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 the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-40436-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 2, 2001.

This report is intended 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.

Jim Petro
Auditor of State

March 2, 2001

**CLAY TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40436-001

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township failed to get the fiscal officer's certification before making commitments. Thirty three percent of the expenditures and obligations tested were initiated without obtaining the prior certification of the Clerk/Treasurer and neither of the two exceptions provided for were used. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending Township funds.



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OFFICE OF THE AUDITOR

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CLAY TOWNSHIP

HIGHLAND 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
APRIL 10, 2001**