



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF CLAY CENTER
OTTAWA COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Clay Center
Ottawa County
420 Main Street
P.O. Box 92
Clay Center, Ohio 43408-0092

To the Village Council:

We have audited the accompanying financial statements of the Village of Clay Center (the Village) as of and for the years ended December 31, 2001, and December 31, 2000. These financial statements are the responsibility of the Village'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 Village 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 Village as of December 31, 2001, and December 31, 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 April 5, 2002, on our consideration of the Village'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 the audit committee, management, Village Council 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

April 5, 2002

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$8,687	\$62,257		\$70,944
Intergovernmental Receipts	24,928	11,400		36,328
Charges for Services	3,900			3,900
Fines, Licenses, and Permits	1,006			1,006
Earnings on Investments	8,074	527		8,601
Miscellaneous	374	58		432
	<u>46,969</u>	<u>74,242</u>		<u>121,211</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	12,322	10,010		22,332
Public Health Services	757			757
Leisure Time Activities	1,291			1,291
Basic Utility Services	13,988			13,988
Transportation	2,776	4,591		7,367
General Government	21,453	3,639		25,092
Debt Service:				
Principal Payments			\$15,000	15,000
Interest Payments		432		432
Capital Outlay		2,598	18,263	20,861
	<u>52,587</u>	<u>21,270</u>	<u>33,263</u>	<u>107,120</u>
Total Receipts Over/(Under) Disbursements	<u>(5,618)</u>	<u>52,972</u>	<u>(33,263)</u>	<u>14,091</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	31,000	74	31,000	62,074
Sale of Fixed Assets	470			470
Other Financing Uses	(1,584)			(1,584)
Transfers-Out		(62,074)		(62,074)
	<u>29,886</u>	<u>(62,000)</u>	<u>31,000</u>	<u>(1,114)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	24,268	(9,028)	(2,263)	12,977
Fund Cash Balances, January 1	<u>82,856</u>	<u>28,601</u>	<u>112,335</u>	<u>223,792</u>
Fund Cash Balances, December 31	<u>\$107,124</u>	<u>\$19,573</u>	<u>\$110,072</u>	<u>\$236,769</u>
Reserves for Encumbrances, December 31		<u>\$204</u>		<u>\$204</u>

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

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$7,088	\$79,400		\$86,488
Intergovernmental Receipts	25,816	12,937		38,753
Charges for Services	2,775	8,700		11,475
Fines, Licenses, and Permits	939			939
Earnings on Investments	10,839	442		11,281
Miscellaneous	4,156	850		5,006
	<u>51,613</u>	<u>102,329</u>		<u>153,942</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	12,532	18,528		31,060
Public Health Services	777			777
Leisure Time Activities	2,851			2,851
Community Environment	15			15
Basic Utility Services	14,243			14,243
Transportation	5,282	3,634		8,916
General Government	24,095	3,244	\$209	27,548
Debt Service:				
Principal Payments			10,000	10,000
Interest Payments		1,968		1,968
Capital Outlay		2,487	8,509	10,996
	<u>59,795</u>	<u>29,861</u>	<u>18,718</u>	<u>108,374</u>
Total Receipts Over/(Under) Disbursements	<u>(8,182)</u>	<u>72,468</u>	<u>(18,718)</u>	<u>45,568</u>
Other Financing Receipts/(Disbursements):				
Transfers-In	47,000		51,000	98,000
Advances-In	1,110			1,110
Transfers-Out	(4,000)	(94,000)		(98,000)
Advances-Out		(1,110)		(1,110)
	<u>44,110</u>	<u>(95,110)</u>	<u>51,000</u>	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	35,928	(22,642)	32,282	45,568
Fund Cash Balances, January 1	46,928	51,243	80,053	178,224
Fund Cash Balances, December 31	<u>\$82,856</u>	<u>\$28,601</u>	<u>\$112,335</u>	<u>\$223,792</u>
Reserves for Encumbrances, December 31	<u>\$883</u>	<u>\$104</u>		<u>\$987</u>

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

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Clay Center, Ottawa County, (the Village) 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 Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including park operations (leisure time activities), and police services. Fire protection services is provided by the Allen-Clay Joint Fire District.

The Village's management believes these financial statements present all activities for which the Village 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 Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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 Fund

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 Village had the following significant Special Revenue Funds:

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Income Tax Fund - This fund receives revenue from tax collected from individuals who reside or are employed in the Village.

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project funds:

Capital Projects Fund - This fund receives transfers of income tax revenue for capital projects.

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 Council 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 Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

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.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments 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	\$22,616	\$27,164
STAR Ohio	214,153	196,628
Total deposits and investments	\$236,769	\$223,792

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

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

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,707	\$78,439	(\$1,268)
Special Revenue	82,393	74,316	(8,077)
Capital Projects	35,000	31,000	(4,000)
Total	\$197,100	\$183,755	(\$13,345)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,513	\$54,172	\$45,341
Special Revenue	105,584	83,548	22,036
Capital Projects	50,000	33,263	16,737
Total	\$255,097	\$170,983	\$84,114

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$79,181	\$99,723	\$20,542
Special Revenue	99,252	102,329	3,077
Capital Projects	40,000	51,000	11,000
Total	<u>\$218,433</u>	<u>\$253,052</u>	<u>\$34,619</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$105,450	\$64,678	\$40,772
Special Revenue	148,929	125,075	23,854
Capital Projects	35,500	18,718	16,782
Total	<u>\$289,879</u>	<u>\$208,471</u>	<u>\$81,408</u>

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. 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 payments, 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 Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

6. RETIREMENT SYSTEMS

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan 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 wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries for 2001 and January 1, 2000 through June 30, 2000. PERS temporarily reduced employer contributions to 8.13% effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001

7. RISK MANAGEMENT

Risk Pool Membership

The Village is a member of the Ohio Municipal Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village of Clay Center's policy. The Pool covers the following risks:

- Law Enforcement;
- Public Officials Errors and Omissions;
- General Liability;
- Property;
- Inland Marine;
- Automobile Liability;
- Automobile Physical Damage;
- Excess Liability; and
- Surplus.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Village of Clay Center
Ottawa County
420 Main Street
P.O. Box 92
Clay Center, Ohio 43408-0092

To the Village Council:

We have audited the accompanying financial statements of the Village of Clay Center (the Village) as of and for the years ended December 31, 2001, and December 31, 2000, and have issued our report thereon dated April 5, 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 Village'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 2001-30162-001. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Village in a separate letter dated April 5, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village'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 the management of the Village in a separate letter dated April 5, 2002.

Village of Clay Center
Ottawa 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 the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 5, 2002

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30162-001

Noncompliance Citation

Ohio Revised Code §5705.41 (D), provides that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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 section also provides two exceptions to the above requirements.

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, Council 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, if such expenditure is otherwise valid.

- B. If the amount involved is less than one thousand dollars the fiscal officer may authorize it to be paid without the affirmation of Council.

Sixty percent of the vouchers selected for testing were not certified by the Clerk-Treasurer at the time the contract or order was made and a Then and Now Certificate had not been issued. We recommend, where possible, the Clerk-Treasurer certify the availability of funds prior to expenditures being made. Where prior certification is not feasible, we encourage the Clerk-Treasurer to utilize then and now certificates or blanket certificates. The failure to properly certify could allow expenditures to exceed available resources. We also reported this matter in the management letter of our audit of the fiscal year 1998 - 1999 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

VILLAGE OF CLAY CENTER

OTTAWA 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
MAY 9, 2002**