



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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**STATE OF OHIO
OFFICE OF THE AUDITOR**

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REPORT OF INDEPENDENT ACCOUNTANTS

Clay Township
Montgomery County
8207 Arlington Road
Brookville, Ohio 45309

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township Montgomery County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. 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 and reserves for encumbrances of Clay Township, Montgomery County, as of December 31, 1999 and 1998, 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 18, 2000 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.

This report is intended solely for the information and use of management, Trustees, and other officials authorized to receive this report under Section 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".

JIM PETRO
Auditor of State

April 18, 2000

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

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$44,903	\$619,894	\$664,797
Charges for Services	0	125,892	125,892
Licenses, Permits and Fees	9,062	39,338	48,400
Fines & Forfeitures	1,984	485	2,469
Intergovernmental Receipts	105,408	154,403	259,811
Special Assessments	0	971	971
Interest	14,525	12,609	27,134
All Other Receipts	1,838	64,197	66,035
Total Cash Receipts	177,720	1,017,789	1,195,509
Cash Disbursements:			
Current:			
General Government	240,748	8,884	249,632
Public Safety	0	594,232	594,232
Public Works	0	382,266	382,266
Health	0	36,584	36,584
Capital Outlay	162,746	110,819	273,565
Total Cash Disbursements	403,494	1,132,785	1,536,279
Total Receipts Over/(Under) Disbursements	(225,774)	(114,996)	(340,770)
Fund Cash Balances, January 1, 1999	358,240	302,352	660,592
Fund Cash Balances, December 31, 1999	<u>\$132,466</u>	<u>\$187,356</u>	<u>\$319,822</u>

The Notes to the Financial Statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$52,829	\$626,343	\$679,172
Licenses, Permits and Fees	11,254	39,334	50,588
Fines & Forfeitures	395	94	489
Intergovernmental Receipts	109,253	154,748	264,001
Special Assessments	0	1,021	1,021
Interest	20,843	19,695	40,538
All Other Receipts	12,085	35,021	47,106
Total Cash Receipts	206,659	876,256	1,082,915
Cash Disbursements:			
Current:			
General Government	157,972	0	157,972
Public Safety	0	575,954	575,954
Public Works	0	157,862	157,862
Health	0	27,906	27,906
Capital Outlay	37,464	85,524	122,988
Debt Service:			
Note Principal Payment	0	20,000	20,000
Interest & Fiscal Charges	0	813	813
Total Cash Disbursements	195,436	868,059	1,063,495
Total Receipts Over/(Under) Disbursements	11,223	8,197	19,420
Fund Cash Balances, January 1, 1998	347,017	294,155	641,172
Fund Cash Balances, December 31, 1998	<u>\$358,240</u>	<u>\$302,352</u>	<u>\$660,592</u>
Reserve for Encumbrances, December 31, 1998	<u>\$158,850</u>	<u>\$15,000</u>	<u>\$173,850</u>

The Notes to the Financial Statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Clay Township of Montgomery 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 street maintenance, cemetery management, emergency medical services, fire protection, and police 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 Investments

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

D. Fund Accounting

The Township classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Fire District Fund - Receives tax collections from a levy for services to provide fire and ambulance services to township residents. The township contracts with the Villages of Brookville, Phillipsburg, and Verona to provide these services.

Police District Fund - Receives tax collections from a levy for services to provide police services to township residents.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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.

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.

Encumbrances

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

A summary of 1999 and 1998 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. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	1999	1998
Demand deposits		
Total deposits	<u>\$124,265</u>	<u>\$339,499</u>
Repurchase Agreement	<u>106,444</u>	<u>236,329</u>
STAR Ohio	<u>89,113</u>	<u>84,764</u>
Total investments	<u>195,557</u>	<u>321,093</u>
Total deposits and investments	<u>\$319,822</u>	<u>\$660,592</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

2. EQUITY IN POOLED CASH (Continued)

Deposits

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 was as follows:

1999 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 291,254	\$177,720	(\$113,534)
Special Revenue	<u>1,160,012</u>	<u>1,017,789</u>	<u>(142,223)</u>
Total	<u>\$1,451,266</u>	<u>\$1,195,509</u>	<u>(\$255,757)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 463,000	\$ 403,494	\$ 59,506
Special Revenue	<u>1,446,418</u>	<u>1,132,785</u>	<u>313,633</u>
Total	<u>\$1,909,418</u>	<u>\$1,536,279</u>	<u>\$373,139</u>

1998 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 240,695	\$ 206,659	(\$34,036)
Special Revenue	<u>864,928</u>	<u>876,256</u>	<u>11,328</u>
Total	<u>\$1,105,623</u>	<u>\$1,082,915</u>	<u>(\$22,708)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 585,597	\$ 354,286	\$231,311
Special Revenue	<u>1,156,104</u>	<u>883,058</u>	<u>273,046</u>
Total	<u>\$1,741,701</u>	<u>\$1,237,344</u>	<u>\$504,357</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

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. DEBT

Debt outstanding at December 31, 1999, was as follows:

	Principal	Interest Rate
Vehicle Acquisition Note	\$50,000	4.94%

The Vehicle Acquisition Note was issued for the purpose of acquiring a dump truck. It matures within one year of issuance.

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

Year Ending December 31:	General Obligation Notes
1999	\$52,470

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer pension plan. This plan provides retirement benefits, including postretirement health care, 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. The Township has paid all contributions required through December 31, 1999.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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

Clay Township
Montgomery County
8207 Arlington Road
Brookville, Ohio 45309

To the Board of Trustees:

We have audited the financial statements of Clay Township, Montgomery County (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 18, 2000. 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 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances on noncompliance that we have reported to management of the Township in a separate letter dated April 18, 2000.

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 a matter involving the internal control over financial reporting, that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 18, 2000.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

April 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLAY TOWNSHIP

MONTGOMERY 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, 2000**