



**CLAYTON TOWNSHIP
PERRY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1998-1997



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Clayton Township
Perry County
6065 Township Rd. 162, Rt. 2
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of Clayton Township, Perry County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997. 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 the Township as of December 31, 1998 and December 31, 1997, 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 December 22, 1999, 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 and the Board of 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.

Jim Petro
Auditor of State

December 22, 1999

**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>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$15,881	\$23,293		\$39,174
Intergovernmental	29,041	53,295		82,336
Licenses, Permits, and Fees		500		500
Earnings on Investments	1,193	163	\$1	1,357
Other Revenue	1,786	900		2,686
Total Cash Receipts	<u>47,901</u>	<u>78,151</u>	<u>1</u>	<u>126,053</u>
Cash Disbursements:				
General Government	30,552			30,552
Public Safety		22,728		22,728
Public Works	6,343	61,117	10,000	77,460
Health	1,248	1,400		2,648
Total Cash Disbursements	<u>38,143</u>	<u>85,245</u>	<u>10,000</u>	<u>133,388</u>
Total Receipts Over/(Under) Disbursements	<u>9,758</u>	<u>(7,094)</u>	<u>(9,999)</u>	<u>(7,335)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			10,000	10,000
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	9,758	(7,094)	1	2,665
Fund Cash Balances, January 1	<u>13,235</u>	<u>22,088</u>	<u>29</u>	<u>35,352</u>
Fund Cash Balances, December 31	<u>\$22,993</u>	<u>\$14,994</u>	<u>\$30</u>	<u>\$38,017</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$581</u>	<u>\$0</u>	<u>\$581</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 -
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Nonexpendable Trust
Cash Receipts:	
Earnings on Investments	\$447
Total Cash Receipts	447
Fund Cash Balances, January 1	9,321
Fund Cash Balances, December 31	\$9,768
Reserve for Encumbrances, December 31	\$0

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, 1997**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$14,455	\$21,252		\$35,707
Intergovernmental	22,528	59,289		81,817
Licenses, Permits, and Fees		725		725
Earnings on Investments	1,300	354	\$4	1,658
Other Revenue	54			54
Total Cash Receipts	<u>38,337</u>	<u>81,620</u>	<u>4</u>	<u>119,961</u>
Cash Disbursements:				
General Government	31,509			31,509
Public Safety		21,396		21,396
Public Works		56,951		56,951
Health	3,206	3,601		6,807
Capital Outlay	8,515	7,500	3,302	19,317
Total Cash Disbursements	<u>43,230</u>	<u>89,448</u>	<u>3,302</u>	<u>135,980</u>
Total Receipts Over/(Under) Disbursements	<u>(4,893)</u>	<u>(7,828)</u>	<u>(3,298)</u>	<u>(16,019)</u>
Other Financing Receipts/(Disbursements):				
Other Sources		600		600
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>600</u>	<u>0</u>	<u>600</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(4,893)	(7,228)	(3,298)	(15,419)
Fund Cash Balances, January 1	18,128	29,316	3,327	50,771
Fund Cash Balances, December 31	<u><u>\$13,235</u></u>	<u><u>\$22,088</u></u>	<u><u>\$29</u></u>	<u><u>\$35,352</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></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 -
NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Nonexpendable Trust
Cash Receipts:	
Earnings on Investments	\$426
Total Cash Receipts	426
Fund Cash Balances, January 1	8,895
Fund Cash Balances, December 31	\$9,321
Reserve for Encumbrances, December 31	\$0

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clayton Township, Perry 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 bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township's management believes these financial statements represent 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. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 by law or contract to be restricted.

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 license tax money to construct, maintain and repair Township roads.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain and repair Township roads.

Road and Bridge Fund - This fund receives property tax money to maintain and repair Township roads and bridges.

Cemetery Fund - This fund receives fee and permit money to maintain the Township's cemetery.

Fire District Fund - This fund receives property tax money to provide fire protection.

EMS Fund - This fund receives property tax money to provide emergency medical services.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following Capital Projects Fund:

Road Grader Fund - This fund received the proceeds of a note in order to repair a road grader.

4. Fiduciary Fund Type

Trust funds are used to account for resources restricted by legally binding trust agreements. The agreement requires the Township to maintain the corpus of the trust, and the fund is classified as a nonexpendable trust fund. Funds for which the Township is acting as an agency are classified as agency funds. The Township had the following Nonexpendable Trust Fund:

Cemetery Bequest Fund - This fund is used to account for a trust corpus given for the care and maintenance of a Township cemetery.

D. 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 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. The Township did not encumber all commitments as required by Ohio law.

A summary of 1998 and 1997 budgetary activity appears in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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

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

	<u>1998</u>	<u>1997</u>
Demand deposits	\$ 47,785	\$ 44,673

Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1998 and December 31, 1997 follows:

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 38,311	\$ 47,901	\$ 9,590
Special Revenue	83,480	78,151	(5,329)
Capital Projects	11,000	10,001	(999)
Expendable Trust	0	447	447
Total	\$ 132,791	\$ 136,500	\$ 3,709

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,546	\$ 38,143	\$ 13,403
Special Revenue	105,576	85,826	19,750
Capital Projects	1,029	10,000	(8,971)
Total	\$ 158,151	\$ 133,969	\$ 24,182

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1997 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 35,945	\$ 38,337	\$ 2,392
Special Revenue	83,570	82,220	(1,350)
Capital Projects	1,000	4	(996)
Expendable Trust	175	426	251
Total	\$ 120,690	\$ 120,987	\$ 297

1997 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 54,073	\$ 43,230	\$ 10,843
Special Revenue	112,885	89,448	23,437
Capital Projects	4,327	3,302	1,025
Total	\$ 171,285	\$ 135,980	\$ 35,305

The Township's expenditures exceeded appropriations at the legal level of control. These conditions are contrary to Ohio Revised Code budgetary requirements.

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

The Township's full-time employee, as well as the Trustees and the Clerk, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 1998 and 1997, members of PERS 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, 1998.

6. DEBT

Debt outstanding at December 31, 1998, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Grader Repair Loan	<u>\$10,050</u>	5.20%

The grader repair loan relates to a note to repair the Township's road grader. The Peoples National Bank of New Lexington approved the loan for this project in the amount of \$10,050 in 1998. The loan will be repaid in six installments of \$1,831, including interest, until September 1, 2001. The scheduled payment amounts are listed below.

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

<u>Year Ending December 31</u>	<u>Grader Repair Loan</u>
1999	\$3,662
2000	3,662
2001	<u>3,662</u>
Total	<u>\$10,986</u>

7. RISK MANAGEMENT

The Township is insured with Ohio Township Association Risk Management Authority (OTARMA). OTARMA assumes the risk of loss up to the limits of the Township's policies. Coverage is subject to deductibles and scheduled property. The following risks are covered by OTARMA:

- General liability and casualty
- Public officials' liability
- Vehicle
- Property

8. YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Township's operations as early as fiscal year 1999.

The Township has completed an inventory of computer and other equipment necessary to conduct Township operations and has identified such systems as being financial reporting, budgetary, and payroll.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997
(Continued)

8. YEAR 2000 ISSUE (Continued)

Perry County collects property taxes for distribution to the Township. Perry County is responsible for remediating its tax collection system, and is solely responsible for any costs associated with this project.

The State of Ohio distributes a substantial sum of money to the Township in the form of motor vehicle license tax and gasoline tax payments. The State is responsible for remediating these systems.

The Township leases the Auditor of State's Uniform Accounting Network (UAN) system for its financial operations. The Auditor of State is responsible for remediating this system and is solely responsible for any costs associated with this project. As of December 31, 1998, the Auditor of State was validating and testing the UAN system. The Auditor of State released a validated and tested version of UAN in 1999. The Township must install the updated release prior to the end of 1999 to help assure the continued proper processing of UAN transactions.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Township is or will be Year 2000 ready, that the Township's remediation efforts will be successful in whole or in part, or that parties with whom the Township does business will be Year 2000 ready.



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

Clayton Township
Perry County
6065 Township Rd. 162, Rt. 2
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of Clayton Township, Perry County, Ohio, (the Township) as of and for the years ended December 31, 1998 and December 31, 1997, and have issued our report thereon dated December 22, 1999. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in accompanying Schedule of Findings as items 1998-41064-001 and 1998-41064-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated December 22, 1999.

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 December 22, 1999.

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

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

December 22, 1999

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998 AND 1997**

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

FINDING NUMBER 1998-41064-001

Ohio Rev. Code Section 5705.41(B) states that no subdivision is to expend money unless it has been properly appropriated. During 1998, expenditures in the Road Grader Fund exceeded appropriations as noted below.

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Capital Projects: Road Grader Fund	\$ 1,029	\$ 10,000	\$ (8,971)

The Board of Trustees did not approve additional appropriations for this fund.

We recommend that actual expenditures be monitored throughout the year and that an amended appropriation measure be approved by the Trustees and filed with the County Auditor.

FINDING NUMBER 1998-41064-002

Ohio Rev. Code Section 5705.41(D) states that no subdivision 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 purposes and is in the treasury or in the process of collection to the credit of an appropriate fund, free from any previous encumbrance. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section provides two "exceptions" to the above requirement::

- 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 from 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, 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 the Board of Trustees.

Purchase orders evidencing the Clerk's signature of certification were not attached to the vouchers. In several instances, an obligation was incurred without prior certification of available resources.

We recommend the Township officials always obtain the Clerk's certification of the availability of funds prior to incurring an obligation. We also recommend that copies of the purchase orders be filed with the vouchers.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLAYTON TOWNSHIP

PERRY 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
FEBRUARY 8, 2000**