



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CLARKSFIELD TOWNSHIP
HURON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Clarksfield Township
Huron County
2017 Harrison Street
Wakeman, Ohio 44889-9374

To the Board of Trustees:

We have audited the accompanying financial statements of Clarksfield Township (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 and reserves for encumbrances 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 June 27, 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.

Clarksfield Township
Huron 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, sweeping underline.

Jim Petro
Auditor of State

June 27, 2002

**CLARKSFIELD TOWNSHIP
HURON 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$47,248	\$42,859	\$90,107
Intergovernmental	44,165	68,291	112,456
Licenses, Permits, and Fees	910	3,050	3,960
Earnings on Investments	1,008	1,512	2,520
Other Revenue	1,423	4,574	5,997
	<u>94,754</u>	<u>120,286</u>	<u>215,040</u>
Cash Disbursements:			
Current:			
General Government	36,203		36,203
Public Safety	29,294		29,294
Public Works	9,793	57,165	66,958
Health	7,983	1,065	9,048
	<u>83,273</u>	<u>58,230</u>	<u>141,503</u>
Total Receipts Over Disbursements	<u>11,481</u>	<u>62,056</u>	<u>73,537</u>
Other Financing Disbursements:			
Other Uses	<u>(1,452)</u>		<u>(1,452)</u>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	10,029	62,056	72,085
Fund Cash Balances, January 1	<u>71,992</u>	<u>45,946</u>	<u>117,938</u>
Fund Cash Balances, December 31	<u>\$82,021</u>	<u>\$108,002</u>	<u>\$190,023</u>
Reserve for Encumbrances, December 31	<u>\$104</u>	<u>\$226</u>	<u>\$330</u>

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

**CLARKSFIELD TOWNSHIP
HURON 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$38,136	\$38,153	\$76,289
Intergovernmental	38,327	67,570	105,897
Licenses, Permits, and Fees	910	1,450	2,360
Earnings on Investments	669	1,004	1,673
Other Revenue	413	1,115	1,528
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	78,455	109,292	187,747
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	35,502		35,502
Public Safety	9,980		9,980
Public Works	4,619	90,679	95,298
Health	1,995	9,375	11,370
Capital Outlay	2,268	130	2,398
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	54,364	100,184	154,548
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	24,091	9,108	33,199
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Sale of Fixed Assets		2,110	2,110
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	24,091	11,218	35,309
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	47,901	34,728	82,629
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$71,992</u>	<u>\$45,946</u>	<u>\$117,938</u>
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	<u>\$104</u>	<u>\$226</u>	<u>\$330</u>

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

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clarksfield Township (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 and cemetery maintenance. The Township contracts with the Village of New London and the Wakeman Fire District to provide fire services and Firelands Ambulance Service to provide ambulance 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. 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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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

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.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

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 AND INVESTMENTS

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>2001</u>	<u>2000</u>
Demand deposits	<u>\$190,023</u>	<u>\$117,938</u>

Deposits are either insured by the Federal Depository Insurance Corporation, or 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:

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$76,384	\$94,754	\$18,370
Special Revenue	116,589	120,286	3,697
Total	<u>\$192,973</u>	<u>\$215,040</u>	<u>\$22,067</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgeted Expenditures	Variance
General	\$144,793	\$84,829	\$59,964
Special Revenue	164,743	58,456	106,287
Total	<u>\$309,536</u>	<u>\$143,285</u>	<u>\$166,251</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,511	\$78,456	\$945
Special Revenue	117,937	111,402	(6,535)
Total	<u>\$195,448</u>	<u>\$189,858</u>	<u>(\$5,590)</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgeted Expenditures	Variance
General	\$119,222	\$54,469	\$64,753
Special Revenue	152,797	100,410	52,387
Total	<u>\$272,019</u>	<u>\$154,879</u>	<u>\$117,140</u>

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.

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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

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 employees belong to the Public Employees Retirement System (PERS) of Ohio. This plan provides 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. For 2001 and 2000, members of PERS 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.

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan ("the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgment, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsured these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.



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

Clarksfield Township
Huron County
2017 Harrison Street
Wakeman, Ohio 44889-9374

To the Board of Trustees:

We have audited the accompanying financial statements of Clarksfield Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 27, 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 27, 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. 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 2001-40539-001.

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 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 District in a separate letter dated June 27, 2002.

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.



Jim Petro
Auditor of State

June 27, 2002

**CLARKSFIELD TOWNSHIP
HURON 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 2001-40539-001

Reportable Condition

In an entity the size of the Township adequate segregation of duties is not feasible. All accounting transactions are processed by the Clerk-Treasurer. It was noted that bank reconciliations are not periodically reviewed by a member of the Board of Trustees. The failure to periodically review the bank reconciliations could permit errors or irregularities to go undetected. During this audit period the Clerk-Treasurer had difficulties reconciling the bank balance to the Township's system balance and additional audit hours were used to verify the Township was in balance. The review of reconciliations by members of the Board of Trustees should include follow up on reconciling items, such as tracing outstanding checks per the prior month's reconciliation to canceled checks for the current month. This review should be documented by the official initialing the reconciliation reviewed. Reviews should be performed at random times throughout the year rather than dates set several months in advance.

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40539-001	Revised Code § 5705.41 (D), certify expenditures	Partially corrected	The District has made some improvement. This matter has been reported in the Management Letter.
1999-40539-002	Board monitoring of financial activity	Partially corrected	The Board has started to monitor the monthly financial statements. However, as noted in the Schedule of Findings, the Board does not verify the monthly bank reconciliations. Repeated as finding number 2001-40539-001.



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CLARKSFIELD TOWNSHIP

HURON 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
AUGUST 13, 2002**