



**Auditor of State
Betty Montgomery**

CLAY TOWNSHIP
TUSCARAWAS COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Clay Township
Tuscarawas County
P.O. Box 55
Gnadenhutten, Ohio 44629

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001. 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 of the Township as of December 31, 2002 and 2001, 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 23, 2003 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.

Clay Township
Tuscarawas County
Independent Accountants' Report
Page 2

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 23, 2003

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$11,320	\$36,477	\$12,333	\$60,130
Intergovernmental	54,131	63,464	165	117,760
Earnings on Investments	279	75		354
Other	3,726	850		4,576
	<u>69,456</u>	<u>100,866</u>	<u>12,498</u>	<u>182,820</u>
Cash Disbursements:				
Current:				
General Government	59,030			59,030
Public Safety		16,094		16,094
Public Works	12,891	55,864		68,755
Health	460			460
Debt Service:				
Redemption of Principal		8,110		8,110
Interest and Fiscal Charges		477		477
Capital Outlay		8,058		8,058
	<u>72,381</u>	<u>88,603</u>	<u>0</u>	<u>160,984</u>
Total Receipts Over/(Under) Disbursements	<u>(2,925)</u>	<u>12,263</u>	<u>12,498</u>	<u>21,836</u>
Fund Cash Balances, January 1	<u>52,132</u>	<u>50,726</u>	<u>41,452</u>	<u>144,310</u>
Fund Cash Balances, December 31	<u>\$49,207</u>	<u>\$62,989</u>	<u>\$53,950</u>	<u>\$166,146</u>

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

**CLAY TOWNSHIP
TUSCARAWAS 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>Debt Service</u>	
Cash Receipts:				
Local Taxes	\$11,243	\$27,256	\$22,479	\$60,978
Intergovernmental	70,317	65,190	165	135,672
Earnings on Investments	1,184	233		1,417
Other	2,844	10,396		13,240
	<u>85,588</u>	<u>103,075</u>	<u>22,644</u>	<u>211,307</u>
Total Cash Receipts				
	<u>85,588</u>	<u>103,075</u>	<u>22,644</u>	<u>211,307</u>
Cash Disbursements:				
Current:				
General Government	62,188			62,188
Public Safety		16,134		16,134
Public Works	12,972	46,816		59,788
Health	501			501
Debt Service:				
Redemption of Principal		7,609		7,609
Interest and Fiscal Charges		449		449
Capital Outlay	344	61,567		61,911
	<u>76,005</u>	<u>132,575</u>	<u>0</u>	<u>208,580</u>
Total Cash Disbursements				
	<u>76,005</u>	<u>132,575</u>	<u>0</u>	<u>208,580</u>
Total Receipts Over/(Under) Disbursements	9,583	(29,500)	22,644	2,727
Other Financing Receipts:				
Note Proceeds		40,000		40,000
	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Total Other Financing Receipts				
	<u>0</u>	<u>40,000</u>	<u>0</u>	<u>40,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	9,583	10,500	22,644	42,727
Fund Cash Balances, January 1	42,549	40,226	18,808	101,583
Fund Cash Balances, December 31	<u><u>\$52,132</u></u>	<u><u>\$50,726</u></u>	<u><u>\$41,452</u></u>	<u><u>\$144,310</u></u>

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

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clay Township, Tuscarawas County, Ohio (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.

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 Township had no investments.

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 has 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.

Fire District Fund - This fund receives is used to account for ambulance and fire levy receipts used to provide fire, rescue and emergency medical services for Township residents.

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Fund

The debt service fund is used to accumulate resources for payment of indebtedness of the Township. The Township's only Debt Service Fund is the General Debt Retirement Fund. This fund receives property tax money for payment of all debt issues.

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 the appropriation measure 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. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay 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 basis of accounting used by the Township.

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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 and investments at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand Deposits	\$166,146	\$144,310

Deposits: 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 ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,502	\$69,456	\$2,954
Special Revenue	\$88,946	\$100,866	11,920
Debt Service	18,000	12,498	(5,502)
Total	\$173,448	\$182,820	\$9,372

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,428	\$72,381	\$46,047
Special Revenue	\$139,672	\$88,603	51,069
Debt Service	59,452	0	59,452
Total	\$317,552	\$160,984	\$156,568

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,657	\$85,588	\$931
Special Revenue	\$151,496	\$143,075	(8,421)
Debt Service	23,478	22,644	(834)
Total	\$259,631	\$251,307	(\$8,324)

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$114,565	\$76,005	\$38,560
Special Revenue	\$130,934	\$132,575	(1,641)
Debt Service	36,807	0	36,807
Total	\$282,306	\$208,580	\$73,726

Contrary to Ohio Revised Code Section 5705.41(B), the Township had budgetary expenditures in excess of appropriations for the general fund and various special revenue funds.

Contrary to Ohio Revised Code Section 5705.41(D), the Township did not always certify the availability of funds prior to incurring the purchase commitment.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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, 2002 was as follows:

	Principal	Interest Rate
Dump Truck/Purchase Agreement	32,000	5.80%

The purchase agreement was issued to finance the purchase of a new dump truck. The agreement is secured by the dump truck.

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Amortization of the dump truck purchase agreement, including interest, is scheduled as follows:

<u>Year ending December 31:</u>	<u>Dump Truck Agreement</u>
2003	\$ 8,464
2004	8,464
2005	8,464
2006	<u>8,464</u>
Total	<u>\$ 33,856</u>

6. RETIREMENT SYSTEM

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2002 and 2001, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

8. JOINTLY GOVERNED ORGANIZATION

The Township is associated with the Tuscarawas County Regional Planning Commission as a Jointly Governed Organization. The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economical and governmental characteristics, functions and services of the county. The Township contributed \$72 and \$70 in 2002 and 2001, respectively to the Regional Planning Commission.

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Auditor of State Betty Montgomery

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

Clay Township
Tuscarawas County
P. O. Box 55
Gnadenhutten, Ohio 44629

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated June 23, 2003. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002.

In addition, we also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 23, 2003.

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 June 23, 2003.

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Clay Township
Tuscarawas County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 23, 2003

**CLAY TOWNSHIP
TUSCARAWAS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

Noncompliance Citation

Material Citation

Ohio Rev. Code Section 5705.41 (B) prohibits the Township from making an expenditure of money unless it has been properly appropriated.

At December 31, 2002, object level expenditures exceeded appropriations in the following funds:

<u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Actual Expenditures</u>	<u>Variance</u>
December 31, 2002			
1000-110-315	500	687	(187)
1000-120-323	300	1,285	(985)
1000-120-352	600	611	(11)
1000-120-420	100	144	(44)
2021-330-160	22,000	22,649	(649)
2021-330-211	2,700	3,019	(319)
2021-330-599	8,000	8,128	(128)
2111-220-370	2,563	3,375	(812)
December 31, 2001			
1000-110-230	1,000	1,839	(839)
1000-110-381	1,000	1,268	(268)
1000-120-352	350	395	(45)
2021-760-740	15,500	58,448	(42,948)
2111-220-381	3,500	3,674	(174)

Failure to appropriate all expenditures could result in an over commitment of Township funds. The Clerk should frequently compare actual expenditures to appropriations to avoid potential overspending.

FINDING NUMBER 2002-002

Material Citation

Ohio Rev. Code Section 5705.41(D) states in part, 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. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

**FINDING NUMBER 2002-002
(Continued)**

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 both at the time that the contract or order was made and at the time that she is completing her certification a sufficient sum was 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, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 (which was increased to \$3,000 on April 7, 2003), the Clerk may authorize it to be paid without the affirmation of the Board of Trustees, upon completion of the then and now certificate, provided that the expenditure is otherwise lawful.

Of the expenditures tested, 42% and 30% were not certified by the Clerk prior to incurring the commitment and the two exceptions noted above were not utilized in 2002 and 2001, respectively.

The Township should inform all Township employees of the requirements of Ohio Rev. Code Section 5705.41(D) and the importance of certifying the availability of funds. The Township should implement the use of Then and Now Certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

**CLAY TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41279-001	Ohio Rev. Code 5705.41(D), failure to certify funds	No	Not corrected. Refer to finding 2002-001.



**Auditor of State
Betty Montgomery**

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800-282-0370

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CLAY TOWNSHIP

TUSCARAWAS 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 19, 2003**