

CLAYTON TOWNSHIP

AUDIT REPORT

JANUARY 1, 2003 – DECEMBER 31, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Clayton Township
6065 Township Road 162, Route 2
New Lexington, Ohio 43764

We have reviewed the *Independent Auditors' Report* of Clayton Township, Perry County, prepared by Wolfe, Wilson & Phillips, Inc. for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Clayton Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

October 28, 2005

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**CLAYTON TOWNSHIP
PERRY COUNTY

ELECTED OFFICIALS
AS OF DECEMBER 31, 2004**

<u>NAME</u>	<u>TITLE</u>	<u>TERM</u>	<u>SURETY</u>	<u>AMOUNT</u>	<u>PERIOD</u>
Richard Fisher	Trustee	01/01/02-12/31/05 (A)		\$10,000	(B)
Jerry Koblentz	Trustee	01/01/04-12/31/07 (A)		\$10,000	(B)
Robert Plaisted	Trustee	01/01/02-12/31/05 (A)		\$10,000	(B)
Rebecca King 6065 Township Road 162 New Lexington, OH 43764	Clerk	04/01/04-03/31/08 (A)		\$10,000	(B)

STATUTORY LEGAL COUNSEL

Joseph Flautt, Prosecutor
Perry County
111 North High Street
P.O. Box 569
New Lexington, OH 43764

- (A) Ohio Township Association Risk Management Authority
- (B) Concurrent with term

**CLAYTON TOWNSHIP
PERRY COUNTY**

INDEX OF FUNDS

GOVERNMENTAL FUND TYPES

General Fund Type:

General Fund

Special Revenue Fund Types:

Motor Vehicle License Tax Fund

Gasoline Tax Fund

Road and Bridge Fund

Cemetery Fund

Fire Fund

EMS Fund

Miscellaneous Special Revenue (FEMA) Fund

Non-Expendable Trust Fund Types:

Beard/Rockwell

Pauline Randolph

WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701

INDEPENDENT AUDITORS' REPORT

Clayton Township
Perry County
6065 Township Road 162
New Lexington, Ohio 43764

We have audited the accompanying financial statements of Clayton Township, Perry County as of and for the years ended December 31, 2004 and 2003. 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 and *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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Clayton Township, Perry County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2005, on our consideration of Clayton Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in conjunction with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 22, 2005

**CLAYTON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES-
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Non-Expendable Trust	
CASH RECEIPTS:					
Local taxes	\$ 21,923	\$ 24,817	\$ -	\$ -	\$ 46,740
Intergovernmental	27,728	84,364	-	-	112,092
Licenses, permits and fees	-	350	-	-	350
Earnings on investments	161	110	-	114	385
Other revenue	4,951	450	-	-	5,401
TOTAL CASH RECEIPTS	54,763	110,091	-	114	164,968
CASH DISBURSEMENTS:					
Current:					
General government	46,087	-	-	-	46,087
Public safety	-	26,176	-	-	26,176
Public works	2,674	65,606	-	-	68,280
Health	3,760	1,500	-	-	5,260
Purchased services	-	-	-	100	100
Debt Service:					
Redemption of principal	2,087	11,020	-	-	13,107
Interest and fiscal charges	753	1,269	-	-	2,022
Capital outlay	-	-	-	-	-
TOTAL CASH DISBURSEMENTS	55,361	105,571	-	100	161,032
TOTAL RECEIPTS OVER(UUNDER) CASH DISBURSEMENTS	(598)	4,520	-	14	3,936
OTHER FINANCING RECEIPTS/ (DISBURSEMENTS):					
Advances-in	-	880	-	-	880
Advances-out	(880)	-	-	-	(880)
Transfers-in	31	-	-	-	31
Transfers-out	-	-	(31)	-	(31)
Other financing sources	-	68	-	-	68
Other financing uses	(1,893)	-	-	-	(1,893)
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS):	(2,742)	948	(31)	-	(1,825)
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(3,340)	5,468	(31)	14	2,111
FUND CASH BALANCES, JANUARY 1	10,411	23,542	31	9,383	43,367
FUND CASH BALANCES, DECEMBER 31	\$ 7,071	\$ 29,010	\$ -	\$ 9,397	\$ 45,478
RESERVE FOR ENCUMBRANCES, DECEMBER 31	\$ 240	\$ 764	\$ -	\$ -	\$ 1,004

See notes to financial statements.

**CLAYTON TOWNSHIP
PERRY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES-
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Non-Expendable Trust	
CASH RECEIPTS:					
Local taxes	\$ 21,698	\$ 24,917	\$ -	\$ -	\$ 46,615
Intergovernmental	28,603	77,136	-	-	105,739
Licenses, permits and fees	-	-	-	-	-
Earnings on investments	488	55	-	200	743
Other revenue	2,064	1,400	-	-	3,464
TOTAL CASH RECEIPTS	52,853	103,508	-	200	156,561
CASH DISBURSEMENTS:					
Current:					
General government	48,690	-	-	-	48,690
Public safety	-	27,098	-	-	27,098
Public works	-	64,119	-	-	64,119
Health	2,610	1,800	-	-	4,410
Purchased services	-	-	-	500	500
Debt Service:					
Redemption of principal	8,897	-	-	-	8,897
Interest and fiscal charges	2,877	-	-	-	2,877
Capital outlay	-	-	-	-	-
TOTAL CASH DISBURSEMENTS	63,074	93,017	-	500	156,591
TOTAL RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	(10,221)	10,491	-	(300)	(30)
OTHER FINANCING RECEIPTS/ (DISBURSEMENTS):					
Advances-in	-	1,800	-	-	1,800
Advances-out	(1,800)	-	-	-	(1,800)
Other financing uses	(34)	-	-	-	(34)
TOTAL OTHER FINANCING RECEIPTS/ (DISBURSEMENTS):	(1,834)	1,800	-	-	(34)
EXCESS OF CASH RECEIPTS AND OTHER FINANCING RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS AND OTHER FINANCING DISBURSEMENTS	(12,055)	12,291	-	(300)	(64)
FUND CASH BALANCES, JANUARY 1	22,466	11,251	31	9,683	43,431
FUND CASH BALANCES, DECEMBER 31	\$ 10,411	\$ 23,542	\$ 31	\$ 9,383	43,367
RESERVE FOR ENCUMBRANCES, DECEMBER 31	\$ -	\$ 1,688	\$ -	\$ -	\$ 1,688

See notes to financial statements.

**CLAYTON TOWNSHIP
PERRY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Crooksville, City of New Lexington, and Reading Township to provide fire and emergency medical 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

Certificates of deposit are valued at cost. Interest earned is recognized and recorded when received.

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:

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.

CLAYTON TOWNSHIP
PERRY COUNTY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (Continued)

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:

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

Miscellaneous Special Revenue (FEMA) Fund – This fund receives money from the Federal Emergency Management Agency to pay for costs incurred from disasters.

Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant Fiduciary Fund:

Beard/Rockwell Cemetery Bequest Fund – This fund receives interest from money donated and placed in Certificates of Deposit to maintain cemeteries.

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 function 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.

**CLAYTON TOWNSHIP
PERRY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. Summary of Significant Accounting Policies (continued)

E. Budgetary Process (Continued)

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 2004 and 2003 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

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

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>2004</u>	<u>2003</u>
Demand deposits	\$ 22,166	\$ 20,055
Certificates of deposit	<u>23,312</u>	<u>23,312</u>
Total	<u>\$ 45,478</u>	<u>\$ 43,367</u>

Deposits:

Deposits are insured by the Federal Deposit Insurance Corporation.

**CLAYTON TOWNSHIP
PERRY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 53,195	\$ 54,794	\$ 1,599
Special Revenue	101,739	110,159	8,420
Capital Projects	-	-	-
Non-Expendable Trust	<u>97</u>	<u>114</u>	<u>17</u>
Total	<u>\$ 155,031</u>	<u>\$ 165,067</u>	<u>\$ 10,036</u>

2004 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 64,216	\$ 57,494	\$ 6,722
Special Revenue	116,141	106,335	9,806
Capital Projects	31	31	-
Non-Expendable Trust	<u>933</u>	<u>100</u>	<u>833</u>
Total	<u>\$ 181,321</u>	<u>\$ 163,960</u>	<u>17,361</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 45,468	\$ 52,853	\$ 7,385
Special Revenue	81,603	103,508	21,905
Capital Projects	-	-	-
Non-Expendable Trust	<u>136</u>	<u>200</u>	<u>64</u>
Total	<u>\$ 127,207</u>	<u>\$ 156,561</u>	<u>\$ 29,354</u>

**CLAYTON TOWNSHIP
PERRY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. Budgetary Activity (Continued)

2003 Budgeted vs. Actual Budgetary Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 67,934	\$ 63,108	\$ 4,826
Special Revenue	102,870	94,705	8,165
Capital Projects	31	-	31
Non-Expendable Trust	<u>1,233</u>	<u>500</u>	<u>733</u>
Total	<u>\$ 172,068</u>	<u>\$ 158,313</u>	<u>\$ 13,755</u>

Contrary to Ohio Revised Code Section 5705.39, the total appropriations exceeded the estimated revenue in 2004 in the General Fund by \$580. The total appropriations exceeded the estimated revenue in 2003 in the following Special Revenue Funds: the Gasoline Tax Fund by \$7,100; the EMS Fund by \$1,000; and the Miscellaneous Special Revenue Fund by \$1,915.

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.

**CLAYTON TOWNSHIP
PERRY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

5. Debt

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Promissory Note – Dump Truck	\$ 15,996	6.23%
Promissory Note – Mower	<u>14,573</u>	5.143%
Total	<u>\$ 30,569</u>	

The note was for the purchase of a dump truck. The original note amount was for \$57,906 for 8 years, with bi-annual payments, including interest, of \$4,645. The note is secured by a lien against the truck.

The note was for the purchase of a boom mower. The original note amount was for \$18,535 for 8 years, with bi-annual payments, including interest, of \$1,420. The note is secured by a lien against the mower.

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

	<u>Dump Truck</u>	<u>Boom Mower</u>
Year ending December 31:		
2005	\$ 9,290	\$ 2,840
2006	8,750	2,840
2007		2,840
2008		2,840
2009		2,840
2010		<u>2,840</u>
Total	<u>\$ 18,040</u>	<u>\$ 17,040</u>

6. Retirement Systems

The Township's elected officials and employees 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, 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, 2004.

**CLAYTON TOWNSHIP
PERRY COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

7. Risk Management

Risk Pool Management

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained Earnings	\$17,046,241	\$16,000,923

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained Earnings	\$7,045,167	\$6,040,104

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.**

Clayton Township
Perry County
6065 Township Road 162
New Lexington, Ohio 43764

We have audited the financial statements of Clayton Township as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 22, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clayton Township internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide an opinion 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 weakness. A material weakness is a reportable 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 caused by error or fraud 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 internal control over financial reporting that we have reported to management in a separate letter dated September 22, 2005.

Compliance

As part of obtaining reasonable assurance about whether Clayton Township's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*. Also, we noted immaterial instances of noncompliance that we have reported to management of Clayton Township in a separate letter dated September 22, 2005.

This report is intended for the information of the Board of Trustees, and the Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 22, 2005

**CLAYTON TOWNSHIP
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	ORC 5705.38 - appropriation measure is to be passed	No	Partially Corrected; This has been reported to the management of the Township in a separate letter dated September 22, 2005.
2002-001	ORC 5705.41(B) - expenditures exceed appropriations	Yes	Finding No Longer Valid.
2002-002	ORC 5705.41(D) - expenditures made without prior certification	No	Partially Corrected; This has been reported to the management of the Township in a separate letter dated September 22, 2005.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
NOVEMBER 10, 2005**