



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Clay Township
Montgomery County
8207 Arlington Road
Brookville, Ohio 45309

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Montgomery County, (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 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 April 30, 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.

This report is intended solely for the information and use of the 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, appearing to read "Jim Petro".

Jim Petro
Auditor of State

April 30, 2002

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**CLAY TOWNSHIP
MONTGOMERY 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	\$24,715	\$649,055	\$673,770
Intergovernmental	129,733	553,731	683,464
Special Assessments		890	890
Charges for Services		221,506	221,506
Licenses, Permits, and Fees	11,741	43,939	55,680
Fines, Forfeitures, and Penalties	12,435		12,435
Earnings on Investments	11,607	10,418	22,025
Other Revenue	9,360	38,623	47,983
	<u>199,591</u>	<u>1,518,162</u>	<u>1,717,753</u>
Cash Disbursements:			
Current:			
General Government	207,234	3,976	211,210
Public Safety		660,580	660,580
Public Works		813,887	813,887
Health		31,964	31,964
Capital Outlay	10,000	141,137	151,137
Debt Service:			
Principal Payments		16,577	16,577
Interest & Fiscal Charges		7,843	7,843
	<u>217,234</u>	<u>1,675,964</u>	<u>1,893,198</u>
Total Receipts (Under) Disbursements	<u>(17,643)</u>	<u>(157,802)</u>	<u>(175,445)</u>
Other Financing Receipts and (Disbursements):			
Advances-In		7,000	7,000
Advances-Out	(7,000)		(7,000)
	<u>(7,000)</u>	<u>7,000</u>	<u>-</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	(24,643)	(150,802)	(175,445)
Fund Cash Balances, January 1	<u>85,338</u>	<u>346,690</u>	<u>432,028</u>
Fund Cash Balances, December 31	<u>\$60,695</u>	<u>\$195,888</u>	<u>\$256,583</u>

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

**CLAY TOWNSHIP
MONTGOMERY 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	\$28,741	\$634,758	\$663,499
Intergovernmental	126,400	159,013	285,413
Special Assessments		101	101
Charges for Services		201,156	201,156
Licenses, Permits, and Fees	9,286	36,920	46,206
Fines, Forfeitures, and Penalties	816		816
Earnings on Investments	17,922	11,696	29,618
Other Revenue	6,165	20,799	26,964
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	189,330	1,064,443	1,253,773
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	230,561	3,560	234,121
Public Safety		604,113	604,113
Public Works		373,434	373,434
Health		38,256	38,256
Capital Outlay	5,897	28,076	33,973
Debt Service:			
Principal Payments		5,000	5,000
Interest & Fiscal Charges		2,670	2,670
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	236,458	1,055,109	1,291,567
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(47,128)	9,334	(37,794)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts:			
Proceed of Notes		150,000	150,000
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	-	150,000	150,000
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(47,128)	159,334	112,206
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	132,466	187,356	319,822
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$85,338	\$346,690	\$432,028
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The notes to the financial statements are an integral part of this statement.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clay Township, Montgomery County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including street maintenance, cemetery management, fire protection, police services 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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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

D. Fund Accounting

The Township classifies its funds into the following types:

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 had the following significant Special Revenue Funds:

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

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

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road and Bridge Fund – This fund receives property tax money to construct, maintain and repair Township roads.

Garbage and Waste Disposal District Fund – Receives charges for services from residents to provide garbage and waste removal and disposal.

Cemetery Fund – Receives fees and other collections from customers to provide care and maintenance of the township cemetery.

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 appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 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. Accumulated 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.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments 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:

	2001	2000
Demand deposits	\$157,436	\$207,470
Total deposits	157,436	207,470
STAR Ohio	98,753	94,823
Repurchase agreement	394	129,735
Total investments	99,147	224,558
Total deposits and investments	\$256,583	\$432,028

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,187	\$199,591	\$12,404
Special Revenue	1,523,374	1,525,162	1,788
Total	\$1,710,561	\$1,724,753	\$14,192

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$272,300	\$224,234	\$48,066
Special Revenue	1,863,407	1,675,964	187,443
Total	\$2,135,707	\$1,900,198	\$235,509

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$183,302	\$189,330	\$6,028
Special Revenue	1,273,499	1,214,443	(59,056)
Total	\$1,456,801	\$1,403,773	(\$53,028)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$315,700	\$236,458	\$79,242
Special Revenue	1,458,516	1,055,109	403,407
Total	\$1,774,216	\$1,291,567	\$482,649

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.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Vehicle Acquisition Note	\$38,423	5.31%
Cemetery Site Acquisition Note	140,000	5.31%
Total	\$178,423	

The vehicle acquisition note was issued for the purchase of a new dump truck in 1999 and renewed in 2000. The cemetery site acquisition note was issued for the purchase of land for a cemetery in 2000. These notes are collateralized solely by the Township's taxing authority.

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

Year	Principal	Interest	Total
2002	\$21,423	\$9,379	\$30,802
2003	19,000	8,337	27,337
2004	19,000	7,327	26,327
2005	119,000	6,319	125,319
	\$178,423	\$31,362	\$209,785

6. RETIREMENT SYSTEMS

The Township's 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 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, PERS members 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.

7. CONTINGENT LIABILITIES

The Township is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

8. RISK POOL MEMBERSHIP

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.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

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

8. RISK POOL MEMBERSHIP (Continued)

A. Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP 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, which the General Reinsurance Corporation will reinsure.

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.

B. Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, the Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

C. Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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



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

Clay Township
Montgomery County
8207 Arlington Road
Brookville, Ohio 45309

To the Board of Trustees:

We have audited the financial statements of Clay Township (the Township) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 30, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-40357-001. We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 30, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 30, 2002.

Clay Township
Montgomery County
Report of Independent Accountants 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, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

April 30, 2002

**CLAYTOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

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

FINDING NUMBER 2001-40357-001

Ohio Rev. Code Section 5705.41(D), states that no orders of contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount for the contract or expenditure has been lawfully appropriated and is in the treasury or the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides an exception to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, 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. 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.

During the period tested, 27% of the transactions, had invoice dates preceding the purchase order dates, which indicates that the obligation was made prior to certification by the Fiscal Officer. The Township honored these commitments instead of declaring them null and void. This procedure is also a key control in the disbursement process. This control allows purchase commitments to receive prior approval which helps to reduce the possibility of funds being over expended. To improve controls over disbursements, it is recommended that the Township properly certify the funds before the commitments are made.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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CLAY TOWNSHIP
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 21, 2002**