



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CLAY TOWNSHIP
SCIOTO COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Clay Township
Scioto County
1374 Holmes Avenue
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Scioto County, Ohio (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 Clay Township, Scioto County, 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 20, 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.

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

Jim Petro
Auditor of State

June 20, 2002

**CLAY TOWNSHIP
SCIOTO 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>	
Cash Receipts:			
Local Taxes	\$103,655	\$352,969	\$456,624
Intergovernmental	79,939	174,825	254,764
Charges for Services	17,742		17,742
Licenses, Permits, and Fees	25,784	4,175	29,959
Earnings on Investments	2,071	84	2,155
Other Revenue	15,519	6,513	22,032
	<u>244,710</u>	<u>538,566</u>	<u>783,276</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	129,526		129,526
Public Safety		169,640	169,640
Public Works	19,527	259,389	278,916
Health	24,985	6,549	31,534
Conservation - Recreation	35,788		35,788
Debt Service:			
Redemption of Principal	11,500	35,889	47,389
Interest and Fiscal Charges	1,317	12,224	13,541
Capital Outlay	11,247	45,599	56,846
	<u>233,890</u>	<u>529,290</u>	<u>763,180</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,820</u>	<u>9,276</u>	<u>20,096</u>
Other Financing Receipts/(Disbursements):			
Transfers-In		16,191	16,191
Transfers-Out	(16,191)		(16,191)
	<u>(16,191)</u>	<u>16,191</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,371)	25,467	20,096
Fund Cash Balances, January 1	<u>20,804</u>	<u>38,433</u>	<u>59,237</u>
Fund Cash Balances, December 31	<u>\$15,433</u>	<u>\$63,900</u>	<u>\$79,333</u>
Reserve for Encumbrances, December 31	<u>\$10,876</u>	<u>\$8,347</u>	<u>\$19,223</u>

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

**CLAY TOWNSHIP
SCIOTO 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>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$103,742	\$342,520	\$	\$	\$446,262
Intergovernmental	86,820	226,764		8,691	322,275
Charges for Services	17,850				17,850
Licenses, Permits, and Fees	26,155	6,800			32,955
Earnings on Investments	4,936	125			5,061
Other Revenue	1,274	1,558			2,832
	<u>240,777</u>	<u>577,767</u>	<u>0</u>	<u>8,691</u>	<u>827,235</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	116,738				116,738
Public Safety		176,413			176,413
Public Works	13,089	278,329			291,418
Health	23,250	10,177			33,427
Conservation - Recreation	46,013				46,013
Debt Service:					
Redemption of Principal	15,002	39,889	2,498		57,389
Interest and Fiscal Charges	2,945	14,492	872		18,309
Capital Outlay	31,022	290,490		8,691	330,203
	<u>248,059</u>	<u>809,790</u>	<u>3,370</u>	<u>8,691</u>	<u>1,069,910</u>
Total Cash Disbursements					
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(7,282)</u>	<u>(232,023)</u>	<u>(3,370)</u>	<u>0</u>	<u>(242,675)</u>
Other Financing Receipts /(Disbursements):					
Transfers-In		7,527			7,527
Transfers-Out	<u>(7,527)</u>				<u>(7,527)</u>
Total Other Financing Receipts/(Disbursements)	<u>(7,527)</u>	<u>7,527</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(14,809)	(224,496)	(3,370)	0	(242,675)
Fund Cash Balances, January 1	<u>35,613</u>	<u>262,929</u>	<u>3,370</u>	<u>0</u>	<u>301,912</u>
Fund Cash Balances, December 31	<u>\$20,804</u>	<u>\$38,433</u>	<u>\$0</u>	<u>\$0</u>	<u>\$59,237</u>
Reserve for Encumbrances, December 31	<u>\$199</u>	<u>\$14,968</u>	<u>\$0</u>	<u>\$0</u>	<u>\$15,167</u>

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

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clay Township, Scioto 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 and a publicly-elected Clerk. The Township provides general governmental services, including road and bridge maintenance (public works), cemetery maintenance (health), emergency medical services and fire protection (public safety).

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 (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:

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

Fire Fund - This fund receives property tax money to pay for fire protection services for the citizens of the Township.

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund - This fund receives money to pay principal and interest on outstanding note debt.

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township received a grant from the State of Ohio to replace a culvert on Hinkley Hollow Road.

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 balances 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.

F. 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
SCIOTO COUNTY**

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

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>2001</u>	<u>2000</u>
Demand deposits	<u>\$79,333</u>	<u>\$59,237</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

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

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$315,670	\$244,710	(\$70,960)
Special Revenue	514,329	554,757	40,428
Total	<u>\$829,999</u>	<u>\$799,467</u>	<u>(\$30,532)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$330,959	\$260,957	\$70,002
Special Revenue	513,343	537,637	(24,294)
Total	<u>\$844,302</u>	<u>\$798,594</u>	<u>\$45,708</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$308,922	\$240,777	(\$68,145)
Special Revenue	518,551	585,294	66,743
Debt Service	2,625	0	(2,625)
Capital Projects	8,691	8,691	0
Total	<u>\$838,789</u>	<u>\$834,762</u>	<u>(\$4,027)</u>

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$178,935	\$255,785	(\$76,850)
Special Revenue	798,280	824,758	(26,478)
Debt Service	5,995	3,370	2,625
Capital Projects	0	8,691	(8,691)
Total	\$983,210	\$1,092,604	(\$109,394)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the COPS Grant Fund by \$62,752 for the year ended December 31, 2001. Additionally, budgetary expenditures exceeded appropriation authority in the General, COPS Grant, and OPWC funds in the amounts of \$76,849, \$81,599, and \$8,691 respectively for the year ended December 31, 2000.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. LODGING EXCISE TAX

The Township has assessed a Lodging excise tax for all hotels/motels within the Township. The assessed tax rate as adopted by the Board of Trustees is four percent of the gross lodging revenue for the month. The taxes are due on or before the fifteenth day of each month for the previous month's lodging revenue.

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Note	\$132,222	6.12%
Rescue Vehicle Note	26,000	5.40%
House Note	15,000	5.94%
1 Ton Truck Note	8,000	5.75%
Total	<u>\$181,222</u>	

The Fire Truck Note was issued to finance the purchase of a fire truck and equipment to be used for the citizens in the Township. The Township also issued notes for the purchase of a rescue vehicle, a ton truck for road maintenance, and real estate for future expansion of the EMS Station.

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

<u>Year ending December 31:</u>	<u>Notes</u>
2002	\$58,208
2003	47,458
2004	24,669
2005	23,513
2006	22,357
2007-2008	41,245
Total	<u>\$217,450</u>

7. 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 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. 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.

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- General liability and casualty
- Vehicles
- Property
- Public Officials' liability

The Township also provides health coverage to elected officials and full time employees through a private carrier.

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743 East State Street
Athens Mall Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

Clay Township
Scioto County
1374 Holmes Avenue
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated June 20, 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 2001-40773-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated June 20, 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 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 20, 2002.

Clay Township
Scioto 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, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 20, 2002

**CLAY TOWNSHIP
SCIOTO 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 2001-40773-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Budgetary expenditures (disbursements plus encumbrances) exceeded appropriations in the COPS Grant Fund in the amount of \$62,752 at December 31, 2001. Budgetary expenditures exceeded appropriations at December 31, 2000 as follows:

Fund	Amount of Excess Expenditures over Appropriations	% Variance
General Fund	\$76,849	43%
COPS Grant Fund	\$81,599	There were no appropriations.
Public Works Commission Project Fund	\$8,691	There were no appropriations.

Additionally, budgetary expenditures exceeded appropriations at the object level, the legal level of control, for Other Expenditures in the Road and Bridge Fund in the amount of \$10,388 (346%) at December 31, 2001. Budgetary expenditures exceeded appropriations at the legal level of control at December 31, 2000 as follows:

Fund	Object	Amount of Excess Expenditures over Appropriations	% Variance
General Fund	Administrative - Other	\$21,936	233%
General Fund	Parks & Recreation – Other	\$24,695	823%
General Fund	Capital Outlay – Machinery, Equipment & Furniture	\$40,925	1,364%
Road and Bridge	Salaries, Other Staff	\$6,191	12%

The Clerk should deny payment requests exceeding appropriations. The Clerk may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

CLAY TOWNSHIP
SCIOTO COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-40773-001	Monthly bank reconciliations were not properly and timely performed.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

CLAY TOWNSHIP

SCIOTO 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
JULY 30, 2002**