



**Auditor of State  
Betty Montgomery**



CLAYTON TOWNSHIP  
PERRY COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Clayton Township  
Perry County  
6065 Township Road 162, RT. 2  
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of Clayton Township, Perry 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 and reserves for encumbrances of Clayton Township, Perry County, 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 May 20, 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.

Clayton Township  
Perry 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 Section 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

May 20, 2003

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, 2002**

|  | Governmental Fund Types |                    |                     | Fiduciary Fund Type     | Totals<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|---------------------|-------------------------|--------------------------------|
|  | General                 | Special<br>Revenue | Capital<br>Projects | Non-Expendable<br>Trust |                                |
| <b>Cash Receipts:</b>  |                         |                    |                     |                         |                                |
| Local Taxes  | \$18,118                | \$22,808           | \$                  | \$                      | \$40,926                       |
| Intergovernmental  | 26,301                  | 58,633             |                     |                         | 84,934                         |
| Licenses, Permits, and Fees  | 19                      |                    |                     |                         | 19                             |
| Earnings on Investments  | 973                     | 57                 |                     | 309                     | 1,339                          |
| Other Revenue  | 844                     | 1,300              |                     |                         | 2,144                          |
| <b>Total Cash Receipts</b>   | <b>46,255</b>           | <b>82,798</b>      | <b>0</b>            | <b>309</b>              | <b>129,362</b>                 |
| <b>Cash Disbursements:</b>   |                         |                    |                     |                         |                                |
| Current:   |                         |                    |                     |                         |                                |
| General Government   | 42,387                  |                    |                     |                         | 42,387                         |
| Public Safety  |                         | 22,570             |                     |                         | 22,570                         |
| Public Works   | 396                     | 62,640             |                     |                         | 63,036                         |
| Health   | 1,800                   | 1,860              |                     |                         | 3,660                          |
| Purchased Services   |                         |                    |                     | 300                     | 300                            |
| Debt Service:  |                         |                    |                     |                         |                                |
| Redemption of Principal  | 4,884                   |                    |                     |                         | 4,884                          |
| Interest and Fiscal Charges  | 4,050                   |                    |                     |                         | 4,050                          |
| Capital Outlay   |                         | 411                |                     |                         | 411                            |
| <b>Total Cash Disbursements</b>  | <b>53,517</b>           | <b>87,481</b>      | <b>0</b>            | <b>300</b>              | <b>141,298</b>                 |
| Total Cash Receipts Over/(Under) Cash Disbursements  | (7,262)                 | (4,683)            | 0                   | 9                       | (11,936)                       |
| <b>Other Financing Receipts/(Disbursements):</b>   |                         |                    |                     |                         |                                |
| Advances-In  |                         | 600                |                     |                         | 600                            |
| Advances-Out   | (600)                   |                    |                     |                         | (600)                          |
| <b>Total Other Financing Receipts/(Disbursements)</b>  | <b>(600)</b>            | <b>600</b>         | <b>0</b>            | <b>0</b>                | <b>0</b>                       |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | (7,862)                 | (4,083)            | 0                   | 9                       | (11,936)                       |
| Fund Cash Balances, January 1  | 30,328                  | 15,334             | 31                  | 9,674                   | 55,367                         |
| <b>Fund Cash Balances, December 31</b>   | <b>\$22,466</b>         | <b>\$11,251</b>    | <b>\$31</b>         | <b>\$9,683</b>          | <b>\$43,431</b>                |
| Reserve for Encumbrances, December 31  | \$5,800                 | \$2,561            | \$0                 | \$0                     | \$8,361                        |

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

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, 2001**

|   | <u>Governmental Fund Types</u> |                            |                             | <u>Fiduciary Fund Type</u>      | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|-----------------------------|---------------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Non-Expendable<br/>Trust</u> |   |
| <b>Cash Receipts:</b>   |                                |                            |                             |                                 |   |
| Local Taxes   | \$20,855                       | \$27,066                   | \$                          | \$                              | \$47,921                                |
| Intergovernmental   | 27,837                         | 63,189                     |                             |                                 | 91,026                                  |
| Licenses, Permits, and Fees   | 19                             | 650                        |                             |                                 | 669                                     |
| Earnings on Investments   | 1,620                          | 116                        |                             | 547                             | 2,283                                   |
| Other Revenue   | 5,147                          | 1,650                      |                             |                                 | 6,797                                   |
| <b>Total Cash Receipts</b>  | <u>55,478</u>                  | <u>92,671</u>              | <u>0</u>                    | <u>547</u>                      | <u>148,696</u>                          |
| <b>Cash Disbursements:</b>  |                                |                            |                             |                                 |   |
| Current:  |                                |                            |                             |                                 |   |
| General Government  | 39,497                         |                            |                             |                                 | 39,497                                  |
| Public Safety   |                                | 26,548                     |                             |                                 | 26,548                                  |
| Public Works  | 2,000                          | 69,261                     |                             |                                 | 71,261                                  |
| Health  | 2,318                          | 1,650                      |                             |                                 | 3,968                                   |
| Purchased Services  |                                |                            |                             | 550                             | 550                                     |
| Debt Service:   |                                |                            |                             |                                 |   |
| Redemption of Principal   | 10,000                         |                            |                             |                                 | 10,000                                  |
| <b>Total Cash Disbursements</b>   | <u>53,815</u>                  | <u>97,459</u>              | <u>0</u>                    | <u>550</u>                      | <u>151,824</u>                          |
| <b>Total Cash Receipts Over/(Under) Cash Disbursements</b>  | <u>1,663</u>                   | <u>(4,788)</u>             | <u>0</u>                    | <u>(3)</u>                      | <u>(3,128)</u>                          |
| <b>Other Financing Receipts/(Disbursements):</b>  |                                |                            |                             |                                 |   |
| Transfers-In  |                                | 200                        |                             |                                 | 200                                     |
| Transfers-Out   | (200)                          |                            | 0                           | 0                               | (200)                                   |
| <b>Total Other Financing Receipts/(Disbursements)</b>   | <u>(200)</u>                   | <u>200</u>                 | <u>0</u>                    | <u>0</u>                        | <u>0</u>                                |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over/(Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <u>1,463</u>                   | <u>(4,588)</u>             | <u>0</u>                    | <u>(3)</u>                      | <u>(3,128)</u>                          |
| <b>Fund Cash Balances, January 1</b>  | <u>28,865</u>                  | <u>19,922</u>              | <u>31</u>                   | <u>9,677</u>                    | <u>58,495</u>                           |
| <b>Fund Cash Balances, December 31</b>  | <u><u>\$30,328</u></u>         | <u><u>\$15,334</u></u>     | <u><u>\$31</u></u>          | <u><u>\$9,674</u></u>           | <u><u>\$55,367</u></u>                  |
| <b>Reserve for Encumbrances, December 31</b>  | <u><u>\$0</u></u>              | <u><u>\$168</u></u>        | <u><u>\$0</u></u>           | <u><u>\$0</u></u>               | <u><u>\$168</u></u>                     |

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

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

**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, and 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**

Certificates of deposit are valued at cost.

**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 that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Fund:

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

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**3. 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.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated in the subsequent year. The Township did not encumber all commitments as 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 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.

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

|                         | 2002      | 2001      |
|-------------------------|-----------|-----------|
| Demand Deposits         | \$ 15,119 | \$ 27,055 |
| Certificates of deposit | 28,312    | 28,312    |
| Total deposits          | \$ 43,431 | \$ 55,367 |

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

| Fund Type            | Budgeted<br>Receipts | Actual<br>Receipts | Variance   |
|----------------------|----------------------|--------------------|------------|
| General              | \$ 44,756            | \$ 46,255          | \$ 1,499   |
| Special Revenue      | 87,935               | 83,398             | (4,537)    |
| Capital Projects     | 2,500                | 0                  | (2,500)    |
| Non-Expendable Trust | 43                   | 309                | 266        |
| Total                | \$ 135,234           | \$ 129,962         | \$ (5,272) |

2002 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type            | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
|----------------------|----------------------------|---------------------------|-----------|
| General              | \$ 75,084                  | \$ 59,917                 | \$ 15,167 |
| Special Revenue      | 103,270                    | 90,042                    | 13,228    |
| Capital Projects     | 2,531                      | 0                         | 2,531     |
| Non-Expendable Trust | 1,169                      | 300                       | 869       |
| Total                | \$ 182,054                 | \$ 150,259                | \$ 31,795 |

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

**3. BUDGETARY ACTIVITY (Continued)**

| 2001 Budgeted vs. Actual Receipts |                      |                    |           |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
| General                           | \$ 47,978            | \$ 55,478          | \$ 7,500  |
| Special Revenue                   | 87,310               | 92,871             | 5,561     |
| Capital Projects                  | 2,500                | 0                  | (2,500)   |
| Non-Expendable Trust              | 375                  | 547                | 172       |
| Total                             | \$ 138,163           | \$ 148,896         | \$ 10,733 |

| 2001 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$ 76,843                  | \$ 54,015                 | \$ 22,828 |
| Special Revenue                                       | 109,309                    | 97,627                    | 11,682    |
| Expendable Trust                                      | 2,531                      | 0                         | 2,531     |
| Non-Expendable Trust                                  | 1,552                      | 550                       | 1,002     |
| Total   | \$ 190,235                 | \$ 152,192                | \$ 38,043 |

Contrary to Ohio law, an appropriation measure was not adopted on or about the first day of 2002 or 2001, nor were temporary appropriations adopted, which resulted in expenditures exceeding appropriations from January to March in each year.

**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.

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

|                              | Principal | Interest Rate |
|------------------------------|-----------|---------------|
| Promissory Note - Dump Truck | \$30,742  | 6.23%         |
| Total                        | \$30,742  |               |

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.

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

|                          | Dump Truck |
|--------------------------|------------|
| Year ending December 31: |            |
| 2003                     | \$9,290    |
| 2004                     | 9,290      |
| 2005                     | 9,290      |
| 2006                     | 7,951      |
| 2007                     |            |
| 2008 – 2012              |            |
| Total                    | \$35,821   |

December 28, 2002, the Township entered into an agreement with The Peoples National Bank for the purchase of a boom mower. The note amount was for \$18,535 for 8 years, with bi-annual payments, including interest, of \$1,420. As of December 31, 2002, the Township had not yet received proceeds of the note or purchased the mower.

**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 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, members of 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 employer contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**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.

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000, if the annual aggregate is reached and all specific losses exceed \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 report the following assets, liabilities and retained earnings at December 31:

| <u>Casualty Coverage</u> | <u>2002</u>          | <u>2001</u>          |
|--------------------------|----------------------|----------------------|
| Assets                   | \$ 23,757,036        | \$ 23,703,776        |
| Liabilities              | (9,197,512)          | <u>(9,379,003)</u>   |
| Retained Earnings        | <u>\$ 14,559,524</u> | <u>\$ 14,324,773</u> |
| <br>                     |                      |                      |
| <u>Property Coverage</u> | <u>2002</u>          | <u>2001</u>          |
| Assets                   | \$ 6,596,996         | \$ 5,011,131         |
| Liabilities              | (1,204,326)          | <u>(647,667)</u>     |
| Retained Earnings        | <u>\$ 5,392,670</u>  | <u>\$ 4,363,464</u>  |



## **Auditor of State Betty Montgomery**

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

Clayton Township  
Perry County  
6065 Township Road 162, RT. 2  
New Lexington, Ohio 43764

To the Board of Trustees:

We have audited the accompanying financial statements of Clayton Township, Perry County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 20, 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 through 2002-003. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 20, 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 the management of the Township in a separate letter dated May 20, 2003.

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Clayton Township  
Perry 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

May 20, 2003

**CLAYTON TOWNSHIP  
PERRY COUNTY**

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

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2002-001**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon actual year end balances, it may pass a temporary appropriation measure for meeting ordinary expenses until April 1.

The Township did not approve appropriation measures for 2002 and 2001 until March 19, 2002, and March 18, 2001, respectively. Temporary appropriations were not adopted to meet ordinary expenses until the permanent appropriations were adopted. This resulted in expenditures exceeding appropriations as further explained in finding number 2002-002.

We recommend the Township file an appropriation measure on or about the first day of the fiscal year for each year.

**FINDING NUMBER 2002-002**

**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.

The Township did not adopt permanent appropriation resolutions until March 19, 2002 and March 18, 2001. Although a temporary appropriation resolution was entered into the system, no formal adoption of these resolutions was noted in the minutes. Therefore, all expenditures that occurred during January, February, and most of March for both 2002 and 2001 exceeded appropriations.

We recommend that the Township adopt the appropriation measure on or about the first day of each fiscal year or pass a temporary appropriation measure for meeting ordinary expenses until April 1.

**CLAYTON TOWNSHIP  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**FINDING NUMBER 2002-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the Township Clerk. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

Then and Now Certificates - 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 Township 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 the amount involved is less than \$1,000 dollars (which was increased to \$3,000 on April 7, 2003), the Township Clerk may authorize payment through a Then and Now Certificate without affirmation of the Township Trustees, if such expenditure is otherwise valid.

Funds were not encumbered prior to purchase commitments being made and no Then and Now Certificate was obtained for six percent of the transactions tested in 2002 and thirty-three percent of the transactions tested in 2001. This could allow deficit spending to occur.

We recommend the Township not expend funds without obtaining the fiscal officer's certificate prior to an obligation being incurred.

**CLAYTON TOWNSHIP  
PERRY 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; <b><i>Explain:</i></b> |
|----------------|---|------------------|---|
| 2000-41064-001 | Financial records were disposed of/could not be located.                              | No.              | Partially Corrected; This has been reported to the management of the Township in a separate letter dated May 20, 2003.                  |
| 2000-41064-002 | Annual appropriation measures were not adopted on or about the first day of the year. | No.              | Not Corrected. Reissued as Finding Number 2002-001.   |
| 2000-41064-003 | Supplemental appropriations were not approved by the Board.                           | No.              | Partially Corrected; This has been reported to the management of the Township in a separate letter dated May 20, 2003.                  |
| 2001-41064-004 | Expenditures exceeded appropriations in 2000 and 1999.                                | No.              | Not Corrected. Reissued as Finding Number 2002-002.   |
| 2001-41064-005 | Expenditures were not properly encumbered.  | No.              | Not Corrected. Reissued as Finding Number 2002-003.   |





**Auditor of State  
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**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  
JULY 22, 2003**