



**Auditor of State
Betty Montgomery**

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Clarksfield Township
Huron County
5321 Zenobia Road
Wakeman, Ohio 44889-8963

To the Board of Trustees:

We have audited the accompanying financial statements of Clarksfield Township, Huron County, (the Township) as of and for the years ended December 31, 2003 and 2002. 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 audits.

We conducted our audits 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 audits 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11 (B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audits provide 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 the Township as December 31, 2003 and 2002, 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 15, 2004 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 audits.

This report is intended solely for the information and use of management, the Board, 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.



Betty Montgomery
Auditor of State

June 15, 2004

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$ 50,544	\$ 44,959	\$ 95,503
Intergovernmental	35,545	69,141	104,686
Licenses, Permits, and Fees	1,590	2,378	3,968
Earnings on Investments	609	913	1,522
Other Revenue	1,346	3,978	5,324
Total Cash Receipts	<u>89,634</u>	<u>121,369</u>	<u>211,003</u>
Cash Disbursements			
Current:			
General Government	42,324	-	42,324
Public Safety	28,656	-	28,656
Public Works	12,915	150,555	163,470
Health	4,689	2,963	7,652
Capital Outlay	-	179	179
Total Cash Disbursements	<u>88,584</u>	<u>153,697</u>	<u>242,281</u>
Total Receipts Over/(Under) Disbursements	<u>1,050</u>	<u>(32,328)</u>	<u>(31,278)</u>
Other Financing Receipts and (Disbursements)			
Transfers-In	-	16,000	16,000
Transfers-Out	(16,000)	-	(16,000)
Other Uses	(506)	-	(506)
Total Other Financing Receipts/(Disbursements)	<u>(16,506)</u>	<u>16,000</u>	<u>(506)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(15,456)	(16,328)	(31,784)
Fund Cash Balances, January 1	<u>137,663</u>	<u>72,098</u>	<u>209,761</u>
Fund Cash Balances, December 31	<u>\$ 122,207</u>	<u>\$ 55,770</u>	<u>\$ 177,977</u>
Reserve for Encumbrances, December 31	<u>\$ 53</u>	<u>\$ 108</u>	<u>\$ 161</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Local Taxes	\$ 27,677	\$ 43,544	\$ 71,221
Intergovernmental	108,651	64,379	173,030
Licenses, Permits, and Fees	1,342	1,000	2,342
Earnings on Investments	1,043	1,565	2,608
Other Revenue	704	1,800	2,504
	<u>139,417</u>	<u>112,288</u>	<u>251,705</u>
Total Cash Receipts			
	<u>139,417</u>	<u>112,288</u>	<u>251,705</u>
Cash Disbursements			
Current:			
General Government	40,609	-	40,609
Public Safety	27,820	-	27,820
Public Works	8,629	143,225	151,854
Health	3,771	3,973	7,744
Capital Outlay	1,647	994	2,641
	<u>82,476</u>	<u>148,192</u>	<u>230,668</u>
Total Cash Disbursements			
	<u>82,476</u>	<u>148,192</u>	<u>230,668</u>
Total Receipts Over/(Under) Disbursements	<u>56,941</u>	<u>(35,904)</u>	<u>21,037</u>
Other Financing Disbursements		-	
Other Uses	(1,299)		(1,299)
	<u>(1,299)</u>	<u>-</u>	<u>(1,299)</u>
Total Other Financing Disbursements			
	<u>(1,299)</u>	<u>-</u>	<u>(1,299)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	55,642	(35,904)	19,738
Fund Cash Balances, January 1	<u>82,021</u>	<u>108,002</u>	<u>190,023</u>
Fund Cash Balances, December 31	<u><u>\$ 137,663</u></u>	<u><u>\$ 72,098</u></u>	<u><u>\$ 209,761</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 152</u></u>	<u><u>\$ 310</u></u>	<u><u>\$ 462</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Clarksfield Township, Huron 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 and cemetery maintenance. The Township contracts with the Village of New London and the Wakeman Fire District to provide fire services. The Township contracts with Firelands Ambulance Service and Citizens Ambulance Service, to provide ambulance 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. 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.

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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 Funds:

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

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

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 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 2003 and 2002 budgetary activity appears in Note 3.

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

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.

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:

	2003	2002
Demand deposits	\$ 177,977	\$ 209,761

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 140,442	\$ 89,634	\$ (50,808)
Special Revenue	109,609	137,369	27,760
Total	\$ 250,051	\$ 227,003	\$ (23,048)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 278,104	\$ 105,143	\$ 172,961
Special Revenue	181,707	153,805	27,902
Total	\$ 459,811	\$ 258,948	\$ 200,863

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 74,156	\$ 139,417	\$ 65,261
Special Revenue	115,636	112,288	(3,348)
Total	<u>\$ 189,792</u>	<u>\$ 251,705</u>	<u>\$ 61,913</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 156,176	\$ 83,927	\$ 72,249
Special Revenue	223,637	148,502	75,135
Total	<u>\$ 379,813</u>	<u>\$ 232,429</u>	<u>\$ 147,384</u>

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 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.

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

5. RETIREMENT SYSTEMS

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). These plans provide 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. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

The Township belongs to the Ohio Government Risk Management Plan (the Plan), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

The Plan uses conventional insurance coverages and reinsures these coverages 100 percent, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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**Auditor of State
Betty Montgomery**

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

Clarksfield Township
Huron County
5321 Zenobia Road
Wakeman, Ohio 44889-8963

To the Board of Trustees:

We have audited the accompanying financial statements of Clarksfield Township, Huron County, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 15, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audits 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 15, 2004.

Internal Control over Financial Reporting

In planning and performing our audits, 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-002.

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. 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. However, we believe the reportable condition described above is not a material weakness. We also 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 15, 2004.

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.



Betty Montgomery
Auditor of State

June 15, 2004

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

The Township received local tax settlements and homestead and rollback taxes from the State but did not credit the Road and Bridge Fund for its portion due; \$18,143 and \$76,109 for 2002 and 2003, respectively. The accompanying financial statements have been adjusted to show the amounts as local taxes and intergovernmental in the Road and Bridge Fund. We recommend the Township Clerk allocate these revenues in accordance to the County Auditor tax settlement sheets.

FINDING NUMBER 2003-002

Reportable Condition

In an entity the size of the Township adequate segregation of duties is not feasible. All accounting transactions are processed by the Clerk-Treasurer. It was noted that bank reconciliations are not periodically reviewed by a member of the Board of Trustees. The failure to periodically review the bank reconciliations could permit errors or irregularities to go undetected. During this audit period the Clerk-Treasurer had difficulties reconciling the bank balance to the Township's system balance and additional audit hours were used to verify the Township was in balance. The review of reconciliations by members of the Board of Trustees should include follow up on reconciling items, such as tracing outstanding checks per the prior month's reconciliation to canceled checks for the current month. This review should be documented by the official initialing the reconciliation reviewed. Reviews should be performed at random times throughout the year rather than dates set several months in advance.

**CLARKSFIELD TOWNSHIP
HURON COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> :
2001-40539-001	Reportable condition, review of bank reconciliations	No	Not corrected. Reissued as finding number 2003-002.



**Auditor of State
Betty Montgomery**

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CLARKSFIELD TOWNSHIP

HURON 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 6, 2004**