

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

*Financial Statements*  
(Audited)

For The Years Ended  
December 31, 2003 and 2002

**MARVIN H. REGULA, CLERK**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Clay Township

We have reviewed the Independent Auditor's Report of Clay Township, Auglaize County, prepared by Trimble, Julian & Grube, Inc. for the audit period January 1, 2002 through December 31, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 22, 2004

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**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

1445 Worthington Woods Boulevard  
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Worthington, Ohio 43085

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## Independent Auditor’s Report

Board of Trustees  
Clay Township, Auglaize County  
10328 Wrestle Creek  
Wapakoneta, OH 45895

We have audited the accompanying financial statements of Clay Township, (the “Township”), Auglaize County, 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 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 2, the Township prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Township, as of December 31, 2003 and 2002, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 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 audit.

This report is intended solely for the information and use of Clay Township 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.

Trimble, Julian & Grube, Inc.  
February 17, 2004

**CLAY TOWNSHIP**  
**AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF FUND BALANCES  
ALL FUND TYPES - CASH BASIS -  
DECEMBER 31, 2003 AND 2002

<u>Cash and Cash Equivalents</u>	<u>2003</u>	<u>2002</u>
Cash and Cash Equivalents	\$ 59,881	\$ 41,942
Total Cash and Cash Equivalents	<u>\$ 59,881</u>	<u>\$ 41,942</u>
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 24,526	\$ 28,432
Special Revenue Funds	<u>35,355</u>	<u>13,510</u>
Total Governmental Fund Types	<u>59,881</u>	<u>41,942</u>
 Total Fund Balances	 <u>\$ 59,881</u>	 <u>\$ 41,942</u>

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



**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

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

	Governmental Fund Types		Total (Memorandum Only)
	General	Special Revenue	
Cash receipts:			
Local taxes	\$ 17,121	\$ 31,649	\$ 48,770
Intergovernmental	33,068	72,453	105,521
Licenses, permits and fees	900	-	900
Special assessments	-	2,125	2,125
Interest	330	281	611
Miscellaneous	488	400	888
Total cash receipts	51,907	106,908	158,815
Cash disbursements:			
Current:			
General government	50,673	-	50,673
Public safety	-	18,807	18,807
Public works	-	64,131	64,131
Health	4,140	2,125	6,265
Capital outlay	1,000	-	1,000
Total cash disbursements	55,813	85,063	140,876
Total cash receipts over/(under) cash disbursements	(3,906)	21,845	17,939
Cash fund balances, January 1, 2003	28,432	13,510	41,942
Cash fund balances, December 31, 2003	\$ 24,526	\$ 35,355	\$ 59,881

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

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL -  
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Type	Receipts					Disbursements					Variance Favorable (Unfavorable)	
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2003 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding 12/31/2003		Total
Governmental:												
General	\$ 28,432	\$ 62,000	\$ 90,432	\$ 51,907	\$ (10,093)	\$ -	\$ 90,432	\$ 90,432	\$ 55,813	\$ -	\$ 55,813	\$ 34,619
Special Revenue	13,510	96,699	110,209	106,908	10,209	-	110,209	110,209	85,063	-	85,063	25,146
<b>Total (Memorandum Only)</b>	<b>\$ 41,942</b>	<b>\$ 158,699</b>	<b>\$ 200,641</b>	<b>\$ 158,815</b>	<b>\$ 116</b>	<b>\$ -</b>	<b>\$ 200,641</b>	<b>\$ 200,641</b>	<b>\$ 140,876</b>	<b>\$ -</b>	<b>\$ 140,876</b>	<b>\$ 59,765</b>

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

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash receipts:				
Local taxes	\$ 14,902	\$ 26,640	\$ -	\$ 41,542
Intergovernmental	39,693	68,424	61,560	169,677
Licenses, permits and fees	2,475	-	-	2,475
Special assessments	-	2,158	-	2,158
Interest	626	273	-	899
Miscellaneous	970	3,632	-	4,602
Total cash receipts	<u>58,666</u>	<u>101,127</u>	<u>61,560</u>	<u>221,353</u>
Cash disbursements:				
Current:				
General government	55,814	-	-	55,814
Public safety	-	19,027	-	19,027
Public works	-	28,173	-	28,173
Health	5,519	8,250	-	13,769
Capital outlay	<u>20,000</u>	<u>68,215</u>	<u>61,560</u>	<u>149,775</u>
Total cash disbursements	<u>81,333</u>	<u>123,665</u>	<u>61,560</u>	<u>266,558</u>
Total cash receipts under cash disbursements	<u>(22,667)</u>	<u>(22,538)</u>	<u>-</u>	<u>(45,205)</u>
Cash fund balances, January 1, 2002	<u>51,099</u>	<u>36,048</u>	<u>-</u>	<u>87,147</u>
Cash fund balances, December 31, 2002	<u>\$ 28,432</u>	<u>\$ 13,510</u>	<u>\$ -</u>	<u>\$ 41,942</u>

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

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL -  
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Type	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2002 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2002 Appropriations	Total		Actual 2002 Disbursements	Encumbrances Outstanding at 12/31/02	Total
Governmental:												
General	\$ 51,099	\$ 43,141	\$ 94,240	\$ 58,666	\$ 15,525	\$ -	\$ 94,490	\$ 81,333	\$ -	\$ -	\$ 81,333	\$ 13,157
Special Revenue	36,048	102,731	138,779	101,127	(1,604)	-	138,779	123,665	-	-	123,665	15,114
Capital Projects	-	61,560	61,560	61,560	-	-	61,560	61,560	-	-	61,560	-
Total (Memorandum Only)	\$ 87,147	\$ 207,432	\$ 294,579	\$ 221,353	\$ 13,921	\$ -	\$ 294,829	\$ 266,558	\$ -	\$ -	\$ 266,558	\$ 28,271

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

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Clay Township, Auglaize County, (“the Township”) is a body politic and corporate established for the purpose of exercising 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 road maintenance, emergency medical services, fire protection and cemetery maintenance.

Management believes the financial statements included in this report represent all of the funds of the Township over which the Township officials have direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Township’s accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township:

**GOVERNMENTAL FUNDS**

**General Fund**

The general fund is used to account for all activities of the Township not required to be included in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Township had the following significant Special Revenue Funds:

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

*Motor Vehicle License Tax Fund* - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant Capital Projects Funds during 2002.

*Issue II Fund* - This fund accumulates grant monies received and paid out on behalf of the Township.

**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.

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Township's Trustees.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates. The Auglaize County Budget Commission waived the requirement for filing a tax budget for 2003 and 2002.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township had supplemental appropriations during December 31, 2003 and 2002.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. The Township did not use the encumbrance method of accounting.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2003 and 2002.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments is credited to its respective funds. Interest income earned and received by the Township totaled \$611 and \$899 for the years ended December 31, 2003 and 2002, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Fixed assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.



**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements are recorded when received in accordance with the Township's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE**

A. The following fund had appropriations in excess of estimated resources for the year ended December 31, 2002, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 250

B. The Township also did not competitively bid a contract contrary to Ohio Revised Code Section 3313.46.

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31 was as follows:

	2003	2002
Demand deposits	<u>\$ 59,881</u>	<u>\$ 41,942</u>

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

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

**NOTE 5 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the County. 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. Real property taxes are payable annually or semiannually to the County. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

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.

**NOTE 6 - RETIREMENT SYSTEM**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement 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 2003 and 2002, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003 and 2002.

**NOTE 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 insurance 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

**NOTE 7 - RISK MANAGEMENT - (Continued)**

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. 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, from the General Reinsurance Corporation.

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

Property Insurance

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.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2002 which is the latest available data:

<u>Casualty Coverage</u>	<u>2002</u>
Assets	\$ 23,757,036
Liabilities	<u>(9,197,512)</u>
Retained earnings	<u>\$ 14,559,524</u>
 <u>Property Coverage</u>	 <u>2002</u>
Assets	\$ 6,596,996
Liabilities	<u>(1,204,326)</u>
Retained earnings	<u>\$ 5,392,670</u>

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

**NOTE 8 - CONTINGENT LIABILITY**

LITIGATION

The Township is currently not involved in litigation that the Township's legal counsel anticipates a loss.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees  
Clay Township, Auglaize County  
10328 Wrestle Creek  
Wapakoneta, OH 45895

We have audited the financial statements of Clay Township (the “Township”), Auglaize County, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated February 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, and contracts, 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 is described in the accompanying schedule of findings as items 2003-CT-001, 2003-CT-002 and 2003-CT-003. We also noted a certain immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated February 17, 2004.

Board of Trustees  
Clay Township, Auglaize County

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 that are considered to 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 operations 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 February 17, 2004.

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

Trimble, Julian & Grube, Inc.  
February 17, 2004

**CLAY TOWNSHIP  
 AUGLAIZE COUNTY, OHIO  
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002**

**SCHEDULE OF FINDINGS**

**1. FINDING RELATED TO THE FINANCIAL STATEMENTS  
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2003-CT-001
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Ohio Revised Code Section 5705.39 requires that a subdivision’s total appropriations from each fund should not exceed the total estimated resources.

It was noted during the audit that the total appropriations exceeded the total estimated resources in the following fund for 2002.

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 250

With appropriations exceeding estimated resources the Township may spend more funds than in the Treasury or process of collection and cause fund deficits.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the Township should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the Township should monitor its budgetary process on a regular basis.

**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>1. FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2003-CT-002
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the disbursement of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that the Township does not process purchase orders prior to expending funds. A listing of all disbursements are provided to the Trustees at each meeting (if applicable) prior to payment.

Without timely certification, the Township may expend more funds than available in the treasury, in the process of collection or than funds appropriated. In addition, by purchasing items prior to trustee approval or absent the purchase order process, the potential for unnecessary purchases or items for proper public purpose cannot be prevented if approval is after the fact.

We recommend that the Township implement a policy and procedure for the use of purchase orders to help ensure that the disbursements are timely certified. This will help ensure that all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Township should issue approved purchase orders and consider using blanket and super blanket purchase orders and/or "Then" and "Now" certificates where applicable.



**CLAY TOWNSHIP  
AUGLAIZE COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

**1. FINDING RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	2003-CT-003
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Ohio Revised Code Sections 3313.46 requires that a Township competitively bid all contracts which exceed \$15,000. Competitive bids require that the contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a general circulation newspaper within the municipality.

It was noted during the audit that the Township did not bid out the paving and resurfacing contract which was awarded for \$17,300.

The Township may not receive the best price or quality of work if contracts are not bid in accordance with the Ohio Revised Code.

We recommend that the Township adopt policies and procedures for contracts including the Bidding of Contracts in excess of \$15,000. We also recommend that the Board of Trustees review all bids prior to the issuance of a contract.





**Auditor of State  
Betty Montgomery**

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**CLAY TOWNSHIP**

**AUGLAIZE 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  
APRIL 8, 2004**