

Clay Township
Scioto County, Ohio
Regular Audit
For the Years Ended December 31, 2005 and 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
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Mary Taylor, CPA
Auditor of State

January 10, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Board of Trustees
Clay Township
1440 Normandy Road
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditors' Report* of Clay Township, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 29, 2006

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Clay Township
Scioto County

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Clay Township
Scioto County, Ohio
1440 Normandy Rd.
Portsmouth, OH 45662

We have audited the accompanying financial statements of Clay Township, Scioto County, (the Township) as of and for the years ended December 31, 2005 and 2004. 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 reasonably assure 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 described in Note 1, the government has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the funds accompanying financial statements presented for 2005 (and 2004), the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, governments to reformat their statements. The Township has elected not to reformat its statements. Since the Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts are materially misstated under accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township's combined funds as of December 31, 2005 and 2004, or their changes in financial position for the years then ended.

Also, 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, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion & Analysis for the years ended December 31, 2005 and 2004. The Township has not presented Management's Discussion & Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2006, 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 grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.

October 25, 2006

**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, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 134,364	\$ 517,773	\$ 652,137
Charges for Services	11,697	-	11,697
Licenses, Permits, and Fees	38,184	5,000	43,184
Intergovernmental	57,575	171,629	229,204
Earnings on Investments	1,315	32	1,347
Miscellaneous	4,064	7,224	11,288
	<u>247,199</u>	<u>701,658</u>	<u>948,857</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	130,908	18,689	149,597
Public Safety	-	239,656	239,656
Public Works	9,972	291,015	300,987
Health	36,000	5,064	41,064
Conservation - Recreation	50,203	-	50,203
Capital Outlay	44,500	81,256	125,756
Debt Service:			
Redemption of Principal	-	38,581	38,581
Interest and Fiscal Charges	-	8,957	8,957
	<u>271,583</u>	<u>683,218</u>	<u>954,801</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(24,384)</u>	<u>18,440</u>	<u>(5,944)</u>
Other Financing Receipts and (Disbursements):			
Proceeds from Sale of Public Debt:			
Sale of Bonds	34,500	-	34,500
Sale of Notes	-	50,618	50,618
	<u>34,500</u>	<u>50,618</u>	<u>85,118</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,116	69,058	79,174
Fund Cash Balances, January 1	<u>16,222</u>	<u>94,059</u>	<u>110,281</u>
Fund Cash Balances, December 31	<u>\$ 26,338</u>	<u>\$ 163,117</u>	<u>\$ 189,455</u>
Reserve for Encumbrances, December 31	<u>\$ -</u>	<u>\$ 381</u>	<u>381</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, 2004**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$ 126,484	\$ 495,309	\$ 621,793
Licenses, Permits, and Fees	480	10,305	10,785
Intergovernmental	58,706	127,786	186,492
Earnings on Investments	1,179	31	1,210
Miscellaneous	47,039	15,872	62,911
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	233,888	649,303	883,191
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	142,283	-	142,283
Public Safety	-	267,628	267,628
Public Works	13,020	323,435	336,455
Health	34,172	12,513	46,685
Conservation - Recreation	40,973	-	40,973
Capital Outlay	9,618	41,065	50,683
Debt Service:			
Redemption of Principal	-	38,236	38,236
Interest and Fiscal Charges	-	10,650	10,650
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	240,066	693,527	933,593
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,178)	(44,224)	(50,402)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(6,178)	(44,224)	(50,402)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	22,400	138,283	160,683
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 16,222	\$ 94,059	\$ 110,281
	<hr/>	<hr/>	<hr/>
Reserve for Encumbrances, December 31	\$ 1,660	\$ 12,545	\$ 14,205
	<hr/>	<hr/>	<hr/>

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

**Clay Township
Scioto County**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, 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. 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:

Fire District Fund – This fund receives property tax money to purchase fire equipment and provide fire protection service to residents of the Township.

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

**CLAY TOWNSHIP
SCIOTO COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approved 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 forward, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 5.

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. Cash and Investments

The Township had one primary checking account during our audit period.

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:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$189,455	\$110,281

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**CLAY TOWNSHIP
SCIOTO COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

3. 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 2005 and 2004, 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, 2005.

4. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

5. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$238,096	\$281,699	\$43,603
Special Revenue	843,222	752,276	(90,946)
Total	\$1,081,318	\$1,033,975	(\$47,343)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$288,818	\$271,583	\$17,235
Special Revenue	886,518	683,599	202,919
Total	\$1,175,336	\$955,182	\$220,154

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$235,423	\$233,888	(\$1,535)
Special Revenue	654,225	649,303	(4,922)
Total	\$889,648	\$883,191	(\$6,457)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$246,834	\$241,726	\$5,108
Special Revenue	746,131	706,072	40,059
Total	\$992,965	\$947,798	\$45,167

**CLAY TOWNSHIP
SCIOTO COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)

6. 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.

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.

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

7. DEBT

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
99 Fire Truck Note	\$56,667	6.12%
Tractor Note	\$27,455	4.90%
03 Fire Truck Note	\$56,429	4.12%
05 Backhoe Note	\$50,618	5.94%
05 House Bond	\$34,500	5.11%
Total	\$225,669	

The 1999 Fire Truck Note was issued to finance the purchase of a fire truck and equipment to be used by the citizens of the Township. The debt is collateralized by the fire truck. The Tractor Note was issued to finance the purchase of a tractor to be used for Township road maintenance. The debt is collateralized by the tractor. The 2003 Fire Truck Note was issued to finance the purchase of a fire truck and equipment to be used for the citizens of the Township. The debt is collateralized by the tractor. The 2005 Backhoe Note was issued to purchase a backhoe to be used for Township road maintenance. The note was collateralized by the backhoe. The 2005 House bond was issued for cemetery expansion to be used by the citizens of the Township. The note was collateralized by the land.

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

Year ending December 31:	Notes
2006	\$62,277
2007	\$60,865
2008	\$59,066
2009	\$28,431
2010	\$27,792
2011-2015	\$19,694
Total	\$258,125

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

8. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

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

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

9. 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 in 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 revenues.

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

Board of Trustees
Clay Township
Scioto County, Ohio
1440 Normandy Rd.
Portsmouth, Ohio 45662

We have audited the financial statements of Clay Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated October 25, 2006, wherein we noted the Township follows the basis of accounting prescribed or permitted by the Auditor of State. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Townships 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 that might be material weaknesses. A material weakness is a condition in which the design or operating of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amount 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.

Compliance and Other Matters

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 grant agreements, 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 no instance of noncompliance that are required to be reported under *Governmental Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated October 25, 2006.

Clay Township
Scioto County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Governmental Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
October 25, 2006



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
JANUARY 16, 2007**