

CLAY TOWNSHIP
AUGLAIZE COUNTY
REGULAR AUDIT
JANUARY 1, 2006 THROUGH DECEMBER 31, 2007
YEARS AUDITED UNDER GAGAS: 2006 AND 2007

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Trustees
Clay Township
13080 Wrestle Creek
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of Clay Township, Auglaize County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. 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 Auditor's 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 Auditor's 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 3, 2008

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**CLAY TOWNSHIP
AUGLAIZE COUNTY**

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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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 the Clay Township (The Township), Auglaize County, Ohio, as of and for the years ended December 31, 2007 and 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*. 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 described more fully in Note 2, the Township 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. While the Township does not follow GAAP, generally accepted auditing standards requires 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 this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the 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 two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its 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 of the Township, as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

Board of Trustees
Clay Township
Independent Auditor's Report
Page 2

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. The Township has not presented Management's Discussion and 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 February 28, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

February 28, 2008

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governemental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<i>Cash Receipts</i>			
Property and Other Taxes	\$ 17,063	\$ 53,440	\$ 70,503
Charges for Services	-	8,759	8,759
Intergovernmental Receipts	111,145	108,363	219,508
Earnings on Investment	2,490	3,054	5,544
Fines Licences & Permit	3,175	-	3,175
Special Assessments	-	2,051	2,051
Miscellaneous	1,690	1,408	3,098
Total Cash Receipts	135,563	177,075	312,638
<i>Disbursements:</i>			
General Government	51,319	-	51,319
Public Safety	-	55,874	55,874
Public Health Services	6,519	379	6,898
Public Works	-	127,660	127,660
Capital Outlay	2,394	9,890	12,284
Total Cash Disbursements	60,232	193,803	254,035
Total Receipts Over (Under) Disbursements	75,331	(16,728)	58,603
Fund Cash Balance, January 1	12,244	68,009	80,253
Fund Cash Balance, December 31	\$ 87,575	\$ 51,281	\$ 138,856

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

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<i>Cash Receipts</i>				
Property and Other Taxes	\$ 17,088	\$ 53,707	\$ -	\$ 70,795
Charges for Services	-	12,168		12,168
Intergovernmental Receipts	23,457	106,754	64,040	194,251
Earnings on Investment	1,389	1,495	-	2,884
Fines Licences & Permit	1,225	-	-	1,225
Special Assessments	-	1,877	-	1,877
Miscellaneous	1,470	13,717	-	15,187
Total Cash Receipts	<u>44,629</u>	<u>189,718</u>	<u>64,040</u>	<u>298,387</u>
<i>Disbursements:</i>				
General Government	49,733	-	-	49,733
Public Safety	-	62,500	-	62,500
Public Health Services	4,329	3,077	-	7,406
Public Works	-	105,736	-	105,736
Capital Outlay	-	-	64,040	64,040
Total Cash Disbursements	<u>54,062</u>	<u>171,313</u>	<u>64,040</u>	<u>289,415</u>
 Total Receipts Over (Under) Disbursements	 (9,433)	 18,405	 -	 8,972
 Fund Cash Balance, January 1	 <u>21,677</u>	 <u>49,604</u>	 <u>-</u>	 <u>71,281</u>
Fund Cash Balance, December 31	<u>\$ 12,244</u>	<u>\$ 68,009</u>	<u>\$ -</u>	<u>\$ 80,253</u>

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

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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. The Township contracts with the Villages of Unipolis and St. Johns’ fire departments to provide fire protection and emergency medical services.

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.

The Township had the following significant Special Revenue Funds:

Fire District Fund - This fund receives fire levy money for contract services with Unipolis and St. John’s fire departments.

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

Special Revenue Funds (Continued)

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

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had one capital project fund in 2006 and none in 2007.

Issue II Fund - This fund accounts for construction projects initiated by the Auglaize County that benefit the Township. The Fund recognizes the Township's share of the Issue II funds as revenues and expenses the same amount as capital outlay.

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. 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.

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

C. BUDGETARY PROCESS (Continued)

Tax Budget (Continued):

The Auglaize County Budget Commission waived the requirement for filing a tax budget for 2007 and 2006.

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.

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 no supplemental appropriations during December 31, 2007 and had only one supplemental appropriation during 2006.

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, 2007 and 2006.

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

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 \$5,544 and \$2,884 for the years ended December 31, 2007 and 2006, 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.

F. INTERGOVERNMENTAL REVENUES

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

G. CHARGES FOR SERVICES REVENUES

Charges for Services represent revenues derived from the St. John's fire department's collection of EMS runs. The Township signed an agreement with the St John's Fire Department whereas collection runs are billed to the individual customers, receipted by the Township and remitted to St John's Fire Department. The collections are recognized as Charges for Services; and the remittance of the collection to the St. John's fire department are expensed as public safety expenses. Charges for Services for the years ended December 31, 2007 and 2006 were \$8,759, and \$12,168 respectively.

H. MISCELLANEOUS REVENUES

The Miscellaneous revenues are composed of donations from residents to rebuild the fence for the Township's cemetery. Total donations from the Township's resident were \$8,845 for 2006.

I. 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.

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 3 - 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:

	2007	2006
Demand Deposits	\$138,856	\$80,253

Deposits: Deposits up to \$100,000 are insured by the Federal Deposit Insurance Corporation. The Excess \$38,856 in 2007 was uninsured, but collateralized with securities held by the pledging financial institution, but not in the Township's name.

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$72,244	\$135,563	\$63,319
Special Revenue	225,764	177,075	(48,689)
Total	\$298,008	\$312,638	\$14,630

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,244	\$60,232	\$12,012
Special Revenue	225,764	193,803	31,961
Total	\$298,008	\$254,035	\$43,973

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,677	\$44,629	(\$27,048)
Special Revenue	222,187	189,718	(32,469)
Capital Project	64,040	64,040	0
Total	\$357,904	\$298,387	(\$59,517)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,677	\$54,062	\$17,615
Special Revenue	222,186	171,313	50,873
Capital Project	64,040	64,040	0
Total	\$357,903	\$289,415	\$68,488

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 5 - COMPLIANCE

Contrary to the Ohio Revised Code Section 5705.36 (A), the Township had appropriations in excess of its available resources defined as prior year unencumbered balance plus actual receipts.

NOTE 6 - 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 7 - 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 2007 and 2006, members of OPERS contributed 9.0% of their gross salaries. The Township contributed an amount equal to 13.7% of participants' gross salaries. The Township has paid all contributions required through December 31, 2007 and 2006.

NOTE 8 - RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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).

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 8 – RISK MANAGEMENT (Continued)

Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage – For an occurrence prior to January 1, 2006 (latest information available), OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Townships can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage – Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment.

Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 (latest information available) was \$1,901,127.

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 township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

CLAY TOWNSHIP
AUGLAIZE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE 8 – RISK MANAGEMENT (Continued)

Financial Position – OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005: (Latest information available)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained Earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained Earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

NOTE 9 - CONTINGENT LIABILITY

LITIGATION

The Township is currently not involved in litigation.

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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
10328 Wrestle Creek
Auglaize County
Wapakoneta, Ohio 45895

We have audited the accompanying cash-basis financial statements of the Clay Township (the Township), Auglaize County, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 28, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than generally accepted accounting principles. 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 Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financing reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. The results of our tests disclosed no instances of material weaknesses that are required to be disclosed under *Governmental Auditing Standards*.

Board of Trustees
Clay Township
Auglaize County

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*

Page 2

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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as item No. 2007-001.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management and board of trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

February 28, 2008

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number 2007-001

Appropriations in Excess of Available Resources

Ohio Rev. Code Section 5705.36 (A) (2), allows all subdivisions to request increased amended certificates of estimated resources or reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The Ohio Revised Code Section 5705.36 (A) (3) requires obtaining amended certificates from the budget commission if the legislative authority intends to appropriate and expend excess revenues. The Ohio Revised Code Section 5706.36(A) (4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Township received fewer monies than it anticipated in Fiscal Year 2006 for the General Fund, the Fire District Levy Fund and the St. John Light Fund; and in Fiscal Year 2007 for the Road and Bridge Fund, the Fire District Levy Fund and the Permissive Motor Vehicle License Tax Fund. However, no reduced amended certificates were obtained, causing the Township to appropriate more than its available resources (defined as prior year unencumbered balance plus actual receipts) for these funds.

In 2006, appropriations exceeded available resources by \$5,371, \$7,981, and \$123 for the General Fund, the Road and Bridge Fund, and the St. John Light Fund, respectively. In 2007, appropriations exceeded available resources by \$402, \$105, and \$6,993 for the Motor Vehicle License Tax Fund, the Road and Bridge Fund, and the Fire District Levy Fund, respectively.

The Township should develop procedures to better monitor its budget and estimated resources, and to increase or reduce estimated revenues and appropriations before expending more than its available resources for any fund.

Client Response:

The Township will monitor its budget and make sure that the issue is resolved in the future.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-CT-001	Non-compliance with 5705.41(D)	Yes	N/A



Mary Taylor, CPA
Auditor of State

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 15, 2008**