

Clay Township

Auglaize County

January 1, 2010 through December 31, 2011

Years Audited Under GAGAS: 2011 and 2010



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com



Dave Yost • Auditor of State

Board of Trustees
Clay Township
23412 Idle Road
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditor's Report* of Clay Township, Auglaize County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2010 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 27, 2012

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**CLAY TOWNSHIP
AUGLAIZE COUNTY**

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Independent Auditor's Report

Clay Township
Auglaize County
23412 Idle Road
Wapakoneta, Ohio 45895

To the Township Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Auglaize County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. 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 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 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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, 2011 and 2010 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, 2011 and 2010, 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 Clay Township, Auglaize County, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

Clay Township
Auglaize County

Independent Auditor's Report (Continued)

As described in Note 2, during 2011, Clay Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That 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.

Caudill & Associates, CPAs

Caudill & Associates, CPA

July 31, 2012

**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, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 20,540	\$ 55,957	\$ 76,497
Intergovernmental	21,238	108,007	129,245
Special Assessments	-	2,883	2,883
Fines, Licenses and Permits	2,450	-	2,450
Earnings on Investments	95	28	123
Miscellaneous	1,605	4,831	6,436
	<u>45,928</u>	<u>171,706</u>	<u>217,634</u>
Total Cash Receipts	<u>45,928</u>	<u>171,706</u>	<u>217,634</u>
Cash Disbursements:			
Current:			
Public Safety	-	-	-
Human Services	-	1,335	1,335
Public Health Services	5,312	45,632	50,944
Public Works	-	49,866	49,866
General Government	68,333	-	68,333
Capital Outlay	1,849	24,987	26,836
	<u>75,494</u>	<u>121,820</u>	<u>197,314</u>
Total Cash Disbursements	<u>75,494</u>	<u>121,820</u>	<u>197,314</u>
Total Receipts Over/(Under) Disbursements	<u>(29,566)</u>	<u>49,886</u>	<u>20,320</u>
Fund Cash Balances, January 1	<u>102,383</u>	<u>41,834</u>	<u>144,217</u>
Fund Cash Balances, Dec 31			
Nonspendable	-	-	-
Restricted	-	91,720	91,720
Committed	-	-	-
Assigned	-	-	-
Unassigned (Deficit)	72,817	-	72,817
Fund Cash Balances, December 31	<u>\$ 72,817</u>	<u>\$ 91,720</u>	<u>\$ 164,537</u>

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, 2010**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$ 21,315	\$ 57,880	\$ -	\$ 79,195
Intergovernmental	110,525	109,958	92,340	312,823
Special Assessments	-	1,815	-	1,815
Fines, Licenses and Permits	1,700	-	-	1,700
Earnings on Investments	69	16	-	85
Miscellaneous	813	2,481	-	3,294
Total Cash Receipts	<u>134,422</u>	<u>172,150</u>	<u>\$92,340</u>	<u>398,912</u>
Cash Disbursements:				
Current:				
Public Safety	-	49,892	-	49,892
Public Health Services	6,091	1,391	-	7,482
Public Works	-	88,556	-	88,556
General Government	68,987	-	-	68,987
Capital Outlay	-	20,623	92,340	112,963
Total Cash Disbursements	<u>75,078</u>	<u>160,462</u>	<u>92,340</u>	<u>327,880</u>
Total Receipts Over/(Under) Disbursements	<u>59,344</u>	<u>11,688</u>	<u>-</u>	<u>71,032</u>
Other Financing Receipts/(Disbursements):				
Transfers In		400	-	400
Transfers Out	(400)	-	-	(400)
Advances In	13,810	13,810	-	27,620
Advances Out	(13,810)	(13,810)	-	(27,620)
Total Other Financing Receipts/(Disbursements)	<u>(400)</u>	<u>400</u>	<u>-</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>58,944</u>	<u>12,088</u>	<u>-</u>	<u>71,032</u>
Fund Cash Balances, January 1	<u>43,439</u>	<u>29,746</u>	<u>-</u>	<u>73,185</u>
Fund Cash Balances, December 31	<u>\$ 102,383</u>	<u>\$ 41,834</u>	<u>\$ -</u>	<u>\$ 144,217</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, 2011 AND 2010**

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.

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

Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II – This fund records revenues received and expensed for construction of roads.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

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.

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, 2011 and 2010.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

C. BUDGETARY PROCESS (Continued)

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. 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, 2011 and 2010.

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 \$123 and \$85 for the years ended December 31, 2011 and 2010, 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. MISCELLANEOUS REVENUES

The Miscellaneous revenues are primarily composed of sales of cemetery lots and bases. Miscellaneous revenues for the years ended December 31, 2011 and 2010 were \$6,436 and \$3,294, respectively.

H. 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, 2011 AND 2010**

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

I. Fund Balance

For December 31, 2011, Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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:

	2011	2010
Demand Deposits	\$164,537	\$144,217

Deposits: Deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation.

NOTE 4 - BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,700	\$45,928	\$2,228
Special Revenue	171,706	171,706	0
Total	\$215,406	\$217,634	\$2,228

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$142,372	\$75,494	\$66,878
Special Revenue	209,048	121,820	87,228
Total	\$351,420	\$197,314	\$154,106

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$148,232	\$134,422	(\$13,810)
Special Revenue	186,359	172,550	(13,809)
Capital Projects	92,340	92,340	0
Total	\$426,931	\$399,312	(\$27,619)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,428	\$75,478	\$12,950
Special Revenue	\$198,500	\$160,462	\$38,038
Capital Projects	92,340	92,340	0
Total	\$379,268	\$328,280	\$50,988

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 5 - COMPLIANCE

The Township was noncompliant with the following sections of the Ohio Revised Code: ORC 5705.36 “*Certification of Available Revenue* and ORC 5705.39, “*Appropriations limited by Estimated Revenue* “.

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 2011 and 2010, members of OPERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2011 and 2010.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
<u>Assets</u>	<u>\$35,855,252</u>	<u>\$38,982,088</u>
<u>Liabilities</u>	<u>(10,664,724)</u>	<u>(12,880,766)</u>
<u>Net Assets</u>	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

NOTE 8 – RISK MANAGEMENT (Continued)

Contributions to OTARMA

<u>2011</u>	<u>2010</u>
\$4,978	\$4,465

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 9 - CONTINGENT LIABILITY

Litigation:

The Township is currently not involved in litigation.

NOTE 10 – CAPITALIZED LEASE – LESSEE DISCLOSURE

In July 2008, the Township entered into a lease agreement for a 2008 Sterling Dump Truck for \$65,000. The term of the lease is for 4 years with annual payments of \$23,933 due on July 17 at a 5.14% interest rate. The lease was paid in full in February 2011.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Under the basis of accounting utilized by the Township, these capitalized assets are not reflected on the financial statements and payments are recorded in the Capital Outlay line item on the financial statements in the Gasoline Tax Fund.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on actual fund balances.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
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www.caudillcpa.com

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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*

Clay Township
Auglaize County
23412 Idle Road
Wapakoneta, Ohio 45895

To the Township Board of Trustees:

We have audited the financial statements of Clay Township, Auglaize County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 31, 2012, wherein we noted the Township adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) in 2011. The Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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*.

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 audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered material weaknesses, as defined above.

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 (Continued)

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses costs as items 2011-001 and 2011-002.

We intend this report solely for the information and use of management, Board of Trustees, Auditor of State and others within the Township. We intend it for no one other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA

July 31, 2012

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Noncompliance Citation – Ohio Revised Code 5705.36

Ohio Revised 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. 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. Ohio Revised Code Section 5705.36 (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 2010 for the Fire District Levy 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 this fund.

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.

Township Response:

The Trustees and Fiscal Officer will monitor the budget and estimated resources closer and follow the auditors' recommendation.

FINDING NUMBER 2011-002

Noncompliance Citation – Ohio Revised Code 5705.39

Ohio Rev. Code Section 5705.39 states that the total appropriations from each fund not exceed the total of the estimated revenue available for expenditure there from, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which fund is established.

2010 appropriations for the Fire District Levy Fund exceeded the estimated resources.

This could result in overspending if not properly monitored.

We recommend the Township monitor estimated resources and appropriations. When it is apparent that estimated resources will fall short of appropriations, the Township Trustees should reduce the appropriations.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

FINDING NUMBER 2011-002 (Continued)

Township Response:

The Trustees and Fiscal Officer will monitor the budget, estimated resources and appropriations closer and follow the auditors' recommendation.

**CLAY TOWNSHIP
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-001	Ohio Revised Code Section 5705.36	No	Reissued as Finding 2011-001.

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Dave Yost • 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
DECEMBER 11, 2012