



Mary Taylor, CPA
Auditor of State

CLAY TOWNSHIP
GALLIA COUNTY

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GALLIA COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clay Township
Gallia County
11126 State Route 7 South
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio, as of December 31, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax and Fire District Funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 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. 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

August 20, 2008

Clay Township
Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

This discussion and analysis of Clay Township's (the Township) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$61,610, or 46.31 percent, a significant change from the prior year. The fund most affected by the increase in cash was the General Fund, which realized the greatest burden of increased costs in 2006; however, cost increases affected most funds.

The Township's general receipts are primarily property taxes and grants and entitlements. These receipts represent respectively 18.50 percent and 29.46 percent percent of the total cash received for governmental activities during the year. Property tax and grants and entitlement receipts for 2006 changed very little compared to 2005 as development within the Township has slowed.

Key highlights for 2007 are as follows:

Net assets of governmental activities decreased \$14,633, or 7.52 percent, a change from the prior year. The fund most affected by the decrease in cash was the General Fund, which realized the greatest burden of increased costs in 2007; however, cost increases affected most funds.

The Township's general receipts are primarily property taxes and grants and entitlements. These receipts represent respectively 20.24 percent and 20.91 percent of the total cash received for governmental activities during the year. Property tax and grants and entitlement receipts for 2007 changed very little compared to 2006 as development within the Township has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Clay Township
Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
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Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental fund activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township has one type of activity:

Governmental Activities - The Township's basic services are reported here. State and federal grants, gasoline tax, property taxes, local government distribution, utility reimbursement funds and the fire levy, finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township consist only of governmental funds.

Governmental Funds - The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial

Clay Township
Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, and Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 and 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2007	2006	2005
Assets			
Cash and Cash Equivalents	\$180,000	\$194,633	\$133,023
Total Assets	\$180,000	\$194,633	\$133,023
Net Assets			
Restricted for:			
Other Purposes	\$ 131,462	\$ 128,235	\$ 88,888
Unrestricted	48,538	66,398	44,135
Total Net Assets	\$180,000	\$194,633	\$133,023

As shown above, net assets of governmental activities increased \$61,610 or 46.32 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Increase property tax collections due to increased property values and new construction;
- Estate Tax; and
- Increase in Gasoline Taxes.

As shown above, net assets of governmental activities decreased \$14,633 or 7.52 percent during 2007. The primary reasons contributing to the decreases in cash balances are as follows:

The Township had several roads that were in poor condition that needed extensive repairs.

Table 2 reflects the changes in net assets on a cash basis in 2007 comparing 2006 and 2005 for governmental activities.

Clay Township
Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2007	2006	2005
Receipts:			
Program Receipts:			
Operating Grants and Contributions	\$100,436	\$92,448	\$85,470
Total Program Receipts	<u>100,436</u>	<u>92,448</u>	<u>85,470</u>
General Receipts:			
Property Taxes	36,704	35,151	35,803
Other Taxes	10	35	
Grants and Entitlements Not Restricted to Specific Programs	37,936	55,959	44,043
Interest	746	638	386
Miscellaneous	5,570	5,687	165
Total General Receipts	<u>80,966</u>	<u>97,470</u>	<u>80,397</u>
Total Receipts	<u>181,402</u>	<u>189,918</u>	<u>165,867</u>
Disbursements:			
General Government	30,360	39,157	23,739
Public Safety	26,724	25,473	24,666
Public Works	101,332	56,918	67,078
Human Services	6,235	6,760	8,740
Other	31,384		
Total Disbursements	<u>196,035</u>	<u>128,308</u>	<u>124,223</u>
Increase (Decrease) in Net Assets	(14,633)	61,610	41,644
Net Assets, January 1	194,633	133,023	91,379
Net Assets, December 31	<u>\$180,000</u>	<u>\$194,633</u>	<u>\$133,023</u>

For 2006, program receipts represent 48.68 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Utility Reimbursement Funds, Motor Vehicle License, and Gasoline Tax monies.

General receipts represent 51.32 percent of the Township's total receipts, and of this amount, 57.41 percent is local taxes. State grants and entitlements make up 29.46 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

For 2007, program receipts represent 55.37 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Utility Reimbursement Funds, Motor Vehicle License, and Gasoline Tax monies.

General receipts represent 44.63 percent of the Township's total receipts, and of this amount, 45.35 percent is local taxes. State grants and entitlements make up 20.91 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

For both years, disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of trustees, and the fiscal officer.

Clay Township
Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
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Public Safety is the cost of fire protection; and Public Works is the cost of resurfacing and maintaining the roads.

Governmental Activities

If you look at the Statements of Activities on pages 10 and 18 you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. In 2006, the major program disbursements for governmental activities are for General Government and Public Works, which account for 30.52 and 44.36 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 19.85 percent. In 2007, the major program disbursements for governmental activities are for Other and Public Works, which account for 16.01 and 51.69 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15.49 percent. The next column of the Statement entitled Program Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	Governmental Activities					
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2007	2007	2006	2006	2005	2005
General Government	\$30,360	\$30,360	\$39,157	\$39,157	\$23,739	\$23,739
Public Safety	26,724	26,724	25,473	25,473	24,666	22,262
Public Works	101,332	896	56,918	(35,530)	67,078	(15,988)
Human Services	6,235	6,235	6,760	6,760	8,740	8,740
Other	31,384	31,384				
Total Expenses	\$196,035	\$95,599	\$128,308	\$35,860	\$124,223	\$38,753

The dependence upon property tax receipts is apparent as over 55 percent of governmental activities are supported through these general receipts in 2006 and 45 percent in 2007.

The Township's Funds

In 2006, total governmental funds had receipts of \$189,918 and disbursements of \$128,308. The greatest change within governmental funds was intergovernmental receipts increased from 2005 to 2006. The fund balance of the General Fund increased \$22,262 in 2006.

In 2006, General Fund receipts were more than disbursements by \$22,262.

In 2007, total governmental funds had receipts of \$181,403 and disbursements and other financing uses of \$196,036. The greatest change within governmental funds occurred due to road resurfacing. The fund balance of the General Fund decreased \$17,860 as the result of the Township completing major paving projects in 2007.

In 2007, General Fund receipts were more than disbursements by \$13,524.

Clay Township
Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2007 and 2006
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General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Township amended its General Fund budget two times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts by \$40,162. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$79,943 while actual disbursements were \$53,750. Even though receipts lived up to expectations, appropriations were reduced upon review. The Township spending was lower than budgeted amounts as demonstrated by the minor reported variances. The year-end result reflected an increase in fund balance of \$22,262 for 2006.

During 2007, the Township amended its General Fund budget one time to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts by an insignificant amount. The difference between final budgeted receipts and actual receipts was \$11,275.

Final disbursements were budgeted at \$86,942 while actual disbursements were \$76,514. Even though receipts lived up to expectations, appropriations were reduced upon review. The Township spending was lower than budgeted amounts as demonstrated by the minor reported variances. The year-end result reflected a decrease in fund balance of \$17,860 for 2007.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Clay Township, Wanda Waugh, Fiscal Officer, 11126 State Route 7 South, Gallipolis, Ohio 45631.

CLAY TOWNSHIP, GALLIA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2007

	Governmental Activities
Assets	
Cash	\$ 180,000
<i>Total Assets</i>	<u>\$ 180,000</u>
Net Assets	
Restricted for:	
Other Purposes	131,462
Unrestricted	48,538
<i>Total Net Assets</i>	<u>\$ 180,000</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u> <u>Operating Grants and Contributions</u>	<u>Net (Disbursements) Receipts and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental Activities			
General Government	\$ 30,360	\$	\$ (30,360)
Public Safety	26,724		(26,724)
Public Works	101,332	100,436	(896)
Health			
Human Services	6,235		(6,235)
Other	31,384		(31,384)
<i>Total Governmental Activities</i>	<u>\$ 196,035</u>	<u>\$ 100,436</u>	(95,599)
General Receipts			
Property Taxes			\$ 36,704
Other Taxes			10
Grants and Entitlements not Restricted to Specific Programs			37,936
Earnings on Investments			746
Miscellaneous			5,570
<i>Total General Receipts</i>			<u>80,966</u>
Change in Net Assets			(14,633)
<i>Net Assets Beginning of Year</i>			<u>194,633</u>
<i>Net Assets End of Year</i>			<u>\$ 180,000</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	GENERAL	GASOLINE TAX	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Cash	\$ 48,538	\$ 61,710	\$ 65,204	\$ 4,548	\$ 180,000
<i>Total Assets</i>	<u>\$ 48,538</u>	<u>\$ 61,710</u>	<u>\$ 65,204</u>	<u>\$ 4,548</u>	<u>\$ 180,000</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 48,538	\$	\$	\$	\$ 48,538
Special Revenue Funds		61,710	65,204	4,548	131,462
<i>Total Fund Balances</i>	<u>\$ 48,538</u>	<u>\$ 61,710</u>	<u>\$ 65,204</u>	<u>\$ 4,548</u>	<u>\$ 180,000</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2007

	GENERAL	GASOLINE TAX	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$ 17,246	\$	\$ 19,468	\$	\$ 36,714
Intergovernmental	39,383	93,639	2,553	6,798	142,373
Earnings on Investments	455	270		21	746
Miscellaneous	1,570				1,570
Total Receipts	58,654	93,909	22,021	6,819	181,403
Disbursements					
Current:					
General Government	30,360				30,360
Public Safety	8,535		18,190		26,725
Public Works		95,748		5,584	101,332
Human Services	6,235				6,235
Total Disbursements	45,130	95,748	18,190	5,584	164,652
Excess of Receipts Over (Under) Disbursements	13,524	(1,839)	3,831	1,235	16,751
Other Financing Sources (Uses)					
Other Financing Uses	(31,384)				(31,384)
Total Other Financing Sources (Uses)	(31,384)	0	0	0	(31,384)
Net Change in Fund Balances	(17,860)	(1,839)	3,831	1,235	(14,633)
Fund Balances Beginning of Year	66,398	63,549	61,373	3,313	194,633
Fund Balances End of Year	\$ 48,538	\$ 61,710	\$ 65,204	\$ 4,548	\$ 180,000

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 17,621	\$ 17,621	\$ 17,246	\$ (375)
Intergovernmental	19,074	27,074	39,383	12,309
Earnings on Investments	440	440	455	15
Miscellaneous	6,244	2,244	1,570	(674)
<i>Total receipts</i>	<u>43,379</u>	<u>47,379</u>	<u>58,654</u>	<u>11,275</u>
Disbursements				
Current:				
General Government	36,073	36,073	30,360	5,713
Public Safety	10,872	10,872	8,535	2,337
Human Services	8,613	8,613	6,235	2,378
<i>Total Disbursements</i>	<u>55,558</u>	<u>55,558</u>	<u>45,130</u>	<u>10,428</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,179)</u>	<u>(8,179)</u>	<u>13,524</u>	<u>21,703</u>
Other Financing Sources (Uses)				
Other Financing Uses		(31,384)	(31,384)	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(31,384)</u>	<u>(31,384)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(12,179)	(39,563)	(17,860)	21,703
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>66,398</u>	<u>66,398</u>	<u>66,398</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$ 54,219</u>	<u>\$ 26,835</u>	<u>\$ 48,538</u>	<u>\$ 21,703</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Gasoline Tax Fund
 For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$ 83,820	\$ 83,820	\$ 93,639	\$ 9,819
Earnings on Investments	180	180	270	90
<i>Total receipts</i>	<u>84,000</u>	<u>84,000</u>	<u>93,909</u>	<u>9,909</u>
Disbursements				
Current:				
Public Works	<u>64,820</u>	<u>84,820</u>	<u>95,748</u>	<u>(10,928)</u>
<i>Total Disbursements</i>	<u>64,820</u>	<u>84,820</u>	<u>95,748</u>	<u>(10,928)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>19,180</u>	<u>(820)</u>	<u>(1,839)</u>	<u>(1,019)</u>
<i>Net Change in Fund Balance</i>	19,180	(820)	(1,839)	(1,019)
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>63,549</u>	<u>63,549</u>	<u>63,549</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$ 82,729</u>	<u>\$ 62,729</u>	<u>\$ 61,710</u>	<u>\$ (1,019)</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire District Fund
For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 17,923	\$ 17,923	\$ 19,468	\$ 1,545
Intergovernmental	2,662	2,662	2,553	(109)
<i>Total receipts</i>	<u>20,585</u>	<u>20,585</u>	<u>22,021</u>	<u>1,436</u>
Disbursements				
Current:				
Public Safety	20,000	20,000	18,190	1,810
<i>Total Disbursements</i>	<u>20,000</u>	<u>20,000</u>	<u>18,190</u>	<u>1,810</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>585</u>	<u>585</u>	<u>3,831</u>	<u>3,246</u>
<i>Net Change in Fund Balance</i>	585	585	3,831	3,246
<i>Unencumbered Cash Balance Beginning of Year</i>	<u>61,373</u>	<u>61,373</u>	<u>61,373</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$ 61,958</u>	<u>\$ 61,958</u>	<u>\$ 65,204</u>	<u>\$ 3,246</u>

See accompanying notes to the basic financial statements

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CLAY TOWNSHIP, GALLIA COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

	Governmental Activities
Assets	
Cash	\$ 194,633
<i>Total Assets</i>	<u>\$ 194,633</u>
Net Assets	
Restricted for:	
Other Purposes	128,235
Unrestricted	66,398
<i>Total Net Assets</i>	<u>\$ 194,633</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts Operating Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
General Government	\$ 39,157	\$	\$ (39,157)
Public Safety	25,473		(25,473)
Public Works	56,918	92,448	35,530
Human Services	6,760		(6,760)
<i>Total Governmental Activities</i>	<u>\$ 128,308</u>	<u>\$ 92,448</u>	<u>(35,860)</u>
General Receipts			
Property Taxes			\$ 35,151
Other Taxes			35
Grants and Entitlements not Restricted to Specific Programs			55,959
Earnings on Investments			638
Miscellaneous			<u>5,687</u>
<i>Total General Receipts</i>			<u>97,470</u>
Change in Net Assets			61,610
<i>Net Assets Beginning of Year</i>			<u>133,023</u>
<i>Net Assets End of Year</i>			<u>\$ 194,633</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	GENERAL	GASOLINE TAX	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Cash	\$ 66,398	\$ 63,549	\$ 61,373	\$ 3,313	\$ 194,633
<i>Total Assets</i>	<u>\$ 66,398</u>	<u>\$ 63,549</u>	<u>\$ 61,373</u>	<u>\$ 3,313</u>	<u>\$ 194,633</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	\$ 66,398	\$	\$	\$	\$ 66,398
Special Revenue Funds		63,549	61,373	3,313	128,235
<i>Total Fund Balances</i>	<u>\$ 66,398</u>	<u>\$ 63,549</u>	<u>\$ 61,373</u>	<u>\$ 3,313</u>	<u>\$ 194,633</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2006

	GENERAL	GASOLINE TAX	FIRE DISTRICT	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$ 16,363	\$	\$ 18,823	\$	\$ 35,186
Intergovernmental	57,523	85,544	2,436	6,903	152,406
Earnings on Investments	439	176		24	639
Miscellaneous	1,687				1,687
Total Receipts	76,012	85,720	21,259	6,927	189,918
Disbursements					
Current:					
General Government	39,157				39,157
Public Safety	7,833		17,640		25,473
Public Works		48,346	415	8,157	56,918
Human Services	6,760				6,760
Total Disbursements	53,750	48,346	18,055	8,157	128,308
Excess of Receipts Over (Under) Disbursements	22,262	37,374	3,204	(1,230)	61,610
Net Change in Fund Balances	22,262	37,374	3,204	(1,230)	61,610
Fund Balances Beginning of Year	44,136	26,175	58,169	4,543	133,023
Fund Balances End of Year	\$ 66,398	\$ 63,549	\$ 61,373	\$ 3,313	\$ 194,633

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 General Fund
 For the Year Ended December 31, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 16,363	\$ 16,363	\$ 16,363	\$ 0
Intergovernmental	13,361	57,523	57,523	0
Earnings on Investments	396	396	439	43
Miscellaneous	5,687	1,687	1,687	0
<i>Total receipts</i>	<u>35,807</u>	<u>75,969</u>	<u>76,012</u>	<u>43</u>
Disbursements				
Current:				
General Government	62,555	62,555	39,157	23,398
Public Safety	8,700	8,700	7,833	867
Human Services	8,688	8,688	6,760	1,928
<i>Total Disbursements</i>	<u>79,943</u>	<u>79,943</u>	<u>53,750</u>	<u>26,193</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(44,136)</u>	<u>(3,974)</u>	<u>22,262</u>	<u>26,236</u>
<i>Net Change in Fund Balance</i>	(44,136)	(3,974)	22,262	26,236
<i>Fund Balance Beginning of Year</i>	<u>44,136</u>	<u>44,136</u>	<u>44,136</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 40,162</u>	<u>\$ 66,398</u>	<u>\$ 26,236</u>

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Gasoline Tax Fund
 For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$ 68,261	\$ 85,545	\$ 85,544	\$ (1)
Earnings on Investments	154	154	176	22
<i>Total receipts</i>	68,415	85,699	85,720	21
Disbursements				
Current:				
Public Works	94,590	94,590	48,346	46,244
<i>Total Disbursements</i>	94,590	94,590	48,346	46,244
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,175)	(8,891)	37,374	(46,223)
<i>Net Change in Fund Balance</i>	(26,175)	(8,891)	37,374	(46,223)
<i>Fund Balance Beginning of Year</i>	26,175	26,175	26,175	0
<i>Fund Balance End of Year</i>	\$ 0	\$ 17,284	\$ 63,549	\$ (46,223)

See accompanying notes to the basic financial statements

CLAY TOWNSHIP, GALLIA COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Fire District Fund
 For the Year Ended December 31, 2006*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 16,784	\$ 18,822	\$ 18,823	\$ 1
Intergovernmental	2,436	2,436	2,436	0
<i>Total receipts</i>	<u>19,220</u>	<u>21,258</u>	<u>21,259</u>	<u>1</u>
Disbursements				
Current:				
Public Safety	72,389	72,389	17,640	54,749
Public Works	5,000	5,000	415	4,585
<i>Total Disbursements</i>	<u>77,389</u>	<u>77,389</u>	<u>18,055</u>	<u>59,334</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(58,169)</u>	<u>(56,131)</u>	<u>3,204</u>	<u>59,335</u>
<i>Net Change in Fund Balance</i>	(58,169)	(56,131)	3,204	59,335
<i>Fund Balance Beginning of Year</i>	<u>58,169</u>	<u>58,169</u>	<u>58,169</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 2,038</u>	<u>\$ 61,373</u>	<u>\$ 59,335</u>

See accompanying notes to the basic financial statements

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Clay Township
Gallia County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 1 – Reporting Entity

Clay Township, Gallia County, Ohio (the Township), is a body politic and corporate 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 also has an elected Fiscal Officer. The elected officials serve four year terms.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges. Police protection is provided by the Gallia County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. The Township has no component units.

C. Public Entity Risk Pools

The Township participates in a public entity risk pool. Notes 7 and 10 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA).

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, and Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Gasoline Tax Fund received gas tax money and expenditures must be road related. The Fire District Fund received property tax revenues and expenditures are for equipment and supplies and other expenses related to provide for fire and emergency services for Township residents and other residents.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 were \$455 which included \$61 assigned from other Township funds. Interest receipts credited to the General Fund during 2006 were \$439 which included \$47 assigned from other Township funds.

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for road maintenance and fire protection.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. There were no fund reserves for 2006 and 2007.

Note 3 – Compliance

Compliance

Contrary to Ohio Rev. Code Section 5075.41(B), disbursements exceeded appropriations at December 31, 2007 in the Gasoline Tax Fund by \$10,928.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and the major special revenue funds (Gasoline Tax Fund and Fire District Fund) are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. Since encumbrances outstanding at year-end are cancelled and re-appropriated in the succeeding year there is essentially no difference between cash and budget basis reporting.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

Clay Township
Gallia County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 5 - Deposits and Investments (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

The Township has a deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. The financial institution of the Township monitors the account and secures the balance over \$100,000 and sends a statement to the Township.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes. Property tax payments received during 2007 and 2006 for tangible personal property (other than public utility property) is for 2007 and 2006 taxes.

Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Real property taxes received in 2006 were levied after October 1, 2005 on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Clay Township
Gallia County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 6 – Property Taxes (Continued)

Tangible personal property tax receipts received in 2007 and 2006 (other than public utility property) represent the collection of 2007 and 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006 on the true value as of December 31, 2006. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$2.90 per \$1,000 of assessed value for property owners in the Township. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$14,324,760
Agricultural	4,437,690
Commercial/Industrial/Mineral	198,190
Tangible Personal Property	41,310
Public Utility – Personal	891,730
Total Assessed Value	\$19,383,680

The full tax rate for all Township operations for the year ended December 31, 2006, was \$2.90 per \$1,000 of assessed value for property owners in the Township. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	
Residential	\$14,002,960
Agricultural	4,418,320
Commercial/Industrial/Mineral	198,220
Tangible Personal Property	86,238
Public Utility – Personal	894,920
Total Assessed Value	\$19,600,658

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

Note 7 – Risk Management

Risk Pool Membership

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.

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

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). 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 Coverage

For an occurrence prior to January 1, 2006 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. Governments 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. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

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

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 (the latest information available):

Clay Township
Gallia County
Notes to the Financial Statements
For the Years Ended December 31, 2007 and 2006

Note 7 – Risk Management (Continued)

Risk Pool Membership (Continued)

	2007	2006
Assets	\$ 43,210,703	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	\$ 29,852,866	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$6,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Contributions to OTARMA

2005	\$	2,760
2006	\$	3,216
2007	\$	2,810

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. The Township participates only in the traditional plan.

Note 8 – Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006 and 2005 were \$4,687, \$4,403 and \$3,992 respectively. 100 percent has been contributed for 2007, 2006 and 2005. There were no contributions to member-directed plans.

Note 9 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5 percent from January 1 to June 30, 2007 and 6 percent from July 1 through December 31, 2007 was the portion that was used to fund health care. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase between 0.5 percent and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

Note 9 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

The number of active contributing participants in the traditional and combined plans was 374,979 for 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions which were used to fund postemployment benefits were \$1,855 for 2007 and \$1,446 for 2006. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 10 – Public Entity Risk Pool

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Clay Township
Gallia County
11126 State Route 7 South
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 20, 2008, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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 expressing our opinion on the financial statements, but not to opine 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.

Our consideration of internal control over financial 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. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated August 20, 2008.

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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 20, 2008.

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

We intend this report solely for the information and use of the management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 20, 2008

CLAY TOWNSHIP
GALLIA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Finding for Recovery Repaid Under Audit

Ohio Rev. Code Section 505.601 states if a board of township trustees does not procure an insurance policy or group health care services as provided in Section 505.60 of the Revised Code, the board of township trustees may reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs for insurance policies described in division (A) of Section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under Section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium that they incur for insurance policies described in division (A) of Section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of Section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The township may not reimburse officers and employees for benefits other than those listed in division (A) of Section 505.60 of the Revised Code.

The Township adopted a resolution under Section 505.601 allowing the Township to reimburse its officers and employees for out-of-pocket premiums. The resolution provided for a uniform maximum monthly payment of \$250 for each officer and employee. During 2007, Township Trustee Jay Crisenberry, was paying an insurance premium of \$274.75 per month for the period January through August. Effective September 1, the premium decreased to \$180.25. Jay Crisenberry was reimbursed the uniform monthly maximum of \$250 for a total of \$3,000, as approved by the Board of Trustees. However, the premium he was paying associated to single coverage decreased below the \$250 maximum, resulting in an overpayment of \$279.00.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jay Crisenberry, Township Trustee, and his surety company, the Ohio Township Association Risk Management Authority, jointly and severally, in the amount of \$279.00, in favor of the Clay Township General Fund.

On September 7, 2008, Jay Crisenberry, Township Trustee, issued a check to Clay Township for \$279.00 as repayment.

Officials' Response: On September 7, 2008 Jay Crisenberry, Township Trustee, issued check no. 3324 to Clay Township for \$279.00 as repayment of insurance.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

**CLAY TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)

Disbursements exceeded appropriations at December 31, 2007 in the Gasoline Tax Fund by \$10,928. Spending monies which have not been properly appropriated could result in deficit cash balances.

We recommend the Fiscal Officer monitor appropriation levels throughout the year and when it becomes apparent actual expenditures may exceed appropriations, request the Board of Trustees to approve increased appropriations and amend estimated resources if necessary.

Officials' Response: The Fiscal Officer, Wanda Waugh, has agreed to monitor the appropriations throughout the year and also year end so that the actual expenditures do not exceed the estimated resources available.

FINDING NUMBER 2007-003

Significant Deficiency

Amounts input into the UAN system for the Budget vs Actual presentation on the financial statements, should agree to the official certificates of estimated resources and the appropriation resolutions adopted by the Board of Trustees.

The Fiscal Officer correctly posted estimated receipts and appropriations to the UAN accounting system per the official certificate of estimated resources and per the adopted appropriation resolutions. However, some of the amounts were incorrect on the Budget vs Actual presentation in the financial statements.

In 2006, the variances were as follows:

Fund	Amounts Per Amended Certificate or Appropriation Resolution	Amounts per Budget vs Actual Statement	Variance
General Fund - Intergovernmental Original	\$ 13,361	\$ 53,523	\$(40,162)
General Fund - General Government Original	62,555	45,074	17,481
General Fund - General Government Final	62,555	45,074	17,481
Gasoline Tax Fund - Intergovernmental Original	68,261	85,545	(17,284)
Fire District Fund - Taxes Original	16,784	18,822	(2,038)
Fire District Fund - Public Safety Original	72,389	18,700	53,689
Fire District Fund - Public Safety Final	72,389	18,700	53,689

**CLAY TOWNSHIP
GALLIA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-003 (Continued)

Significant Deficiency (Continued)

In 2007, the variances were as follows:

Fund	Amounts Per Amended Certificate or Appropriation Resolution	Amounts per Budget vs Actual Statement	Variance
General Fund - Other Financing Uses Original	\$ 0	\$ 31,383	\$ (31,383)
Gasoline Tax Fund - Public Works Original	64,820	104,820	(40,000)
Gasoline Tax Fund - Public Works Final	84,820	104,820	(20,000)

The Original and Final Columns on the Budget vs Actual financial statements have been adjusted to reflect the correct amounts.

We recommend the Fiscal Officer input the correct amounts on the Budget vs Actual financial statements from the approved certificates of estimated resources and the adopted appropriation resolutions to ensure accurate reporting.

Officials' Response: Wanda Waugh, Fiscal Officer is going to make sure that the Original and Final columns on the Budget versus Actual statement have been adjusted to reflect the correct amount throughout the year and at year end.



Mary Taylor, CPA
Auditor of State

CLAY TOWNSHIP

GALLIA 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
SEPTEMBER 30, 2008**