

CLAY TOWNSHIP

MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2007 - 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
Clay Township
8207 Arlington Road
Brookville, Ohio 45309

We have reviewed the *Independent Accountants' Report* of Clay Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 29, 2008

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Clay Township
Montgomery County

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Clay Township
8207 Arlington Rd.
Brookville, Ohio 45309

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Montgomery County, (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basis 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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified 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 government activities, each major fund, and the aggregate remaining fund information of Clay Township, Montgomery County, Ohio, as of December 31, 2007 and 2006 and the respective changes in cash financial position and the respective budgetary comparison for the General, Garbage and Waste Disposal, Police District, and Fire District funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2006, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. See Note 3 Change in basis of accounting and restatement of fund equity.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 25, 2008

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

This discussion and analysis of Clay Township, Montgomery County financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2007 and 2006, within the limitations of the Township's modified 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 2007 are as follows:

Net assets of governmental activities increased \$249,674, or 33 percent, a significant change from the prior year. The funds most affected by the changes in cash and cash equivalents was the Police District, which increased due to additional DUI grant monies received. The greatest increase in 2007 was to the General Fund which had a 38 percent increase; however, asset increases affected most funds.

The Township's general receipts are primarily property taxes. These receipts represent were \$1,151,868 or 54 percent of the total cash received for governmental activities during 2007. Property tax receipts for 2007 increased slightly compared to 2006 due to increases in fire and police levy income.

The Township received an Issue II grant for Dodson Road Phase I with a 10% matching from the Township.

The Township also entered into a JEDD agreement with the City of Clayton. This agreement takes effect January 1, 2008.

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$133,224, or 22 percent, a significant change from the prior year. The funds most affected by the increase in cash and cash equivalents were the Police District and the General Fund.

The Township's general receipts are primarily property taxes. These receipts represent \$1,142,715 or 58 percent of the total cash received for governmental activities during 2006. Property and income tax receipts for 2006 changed, compared to 2005, due to the passage of the police levy and a general slowdown of development within the Township.

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 modified cash basis of accounting.

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

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.

As a result of using the modified 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 modified cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007 and 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental 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 modified 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 non financial 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, we report governmental activities which include the Township's basic services, including general governmental services, police protection, fire protection, garbage and waste, and road maintenance. State and federal grants, property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Reporting the Government'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.

Governmental Funds – All of 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 statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Township has four major governmental funds, General Fund, Garbage & Waste Disposal, Police District, and Fire District. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Government as a Whole

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

(Table 1)
Net Assets

	<u>Governmental Activities</u>	
	2007	2006
Assets		
Equity in Pooled Cash and Cash Equivalents	1,002,088	752,414
Total Assets	\$1,002,088	\$752,414
Net Assets		
Restricted for:		
Capital Projects	1,147	1,147
Other Purposes	598,226	460,287
Unrestricted	402,715	290,980
Total Net Assets	\$1,002,088	\$752,414

As mentioned previously, net assets of governmental activities increased \$ 249,674 or 33 percent during 2007. The primary reasons contributing to the increase in cash balances are as follows:

In 2007 grants for DUI enforcement through out police department were received, rates for trash service increased mid-year with the new contract, and Issue II Dodson Road Phase I.

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

Table 2 reflects the changes in net assets in 2007 and 2006 for governmental activities. This is the first year the Township has presented their financial statements in the GASB 34 format.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006
Program Receipts:		
Charges for Services and Sales	349,859	308,372
Operating Grants and Contributions	234,348	237,138
Capital Grants and Contributions	109,751	0
Total Program Receipts	<u>693,958</u>	<u>545,510</u>
General Receipts:		
Property and Other Local Taxes	1,151,868	1,142,715
Grants and Entitlements Not Restricted to Specific Programs	131,695	156,719
Interest	43,182	38,750
Miscellaneous	93,427	83,592
Total General Receipts	<u>1,420,172</u>	<u>1,421,776</u>
Total Receipts	<u>2,114,130</u>	<u>1,967,286</u>
Disbursements:		
General Government	189,644	271,639
Public Safety	988,411	992,525
Public Works	532,282	513,665
Public Health Services	25,507	25,915
Capital Outlay	113,612	17,093
Debt Service		
Principal	12,091	10,000
Interest	2,909	3,225
Total Disbursements	<u>1,864,456</u>	<u>1,834,062</u>
Increase in Net Assets	249,674	133,224
Net Assets, January 1	752,414	619,190
Net Assets, December 31	<u>\$1,002,088</u>	<u>\$752,414</u>

Program receipts represent 32 percent and 27 percent of total receipts for 2007 and 2006, respectively, and are primarily comprised of restricted intergovernmental receipts and charges for garbage and waste disposal services; township levied permissive motor vehicle license tax, charges for cemetery services/burial lots and local public works commissions.

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

General receipts represent 68 percent and 73 percent of the Government's total receipts for 2007 and 2006, respectively and of this amount, over 81 percent and 80 percent, are local taxes. State and federal grants and entitlements, interest and miscellaneous income make up the balance of the Government's general receipts of 19 percent and 20 percent, respectively for 2007 and 2006. Other receipts are insignificant and somewhat unpredictable revenue sources.

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 administrative costs for the purchasing, cemetery upkeep, zoning compliance, board of trustees, fiscal officer as well as other internal services. Since these costs do not represent direct services to residents, we try to control these costs which are 10 percent and 14 percent for years 2007 and 2006, respectively.

Disbursements for Public Safety, Public Works and Public Health Services represent the costs for staffing and maintaining police and fire protection services, the costs of maintaining public roads and the costs for maintaining the cemeteries located in the Township. Capital outlay represents the cost of road improvement.

Governmental Activities

If you look at the Statement of Activities, 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. The major program disbursements for governmental activities are for Public Safety and Public Works, which account for 81 percent and 82 percent of all governmental disbursements, for 2007 and 2006, respectively. General government also represents significant costs, which account for 10 percent and 14 percent of all government disbursements, for 2007 and 2006, respectively. The next three columns of the Statement entitled Program Cash Receipts identify 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.

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

(Table 3)

Governmental Activities

	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services
	2,007	2,007	2,006	2,006
General Government	189,644	175,061	271,639	247,180
Public Safety	988,411	882,159	992,525	887,878
Public Works	532,282	122,318	513,665	137,370
Public Health Services	25,507	(27,901)	25,915	(14,194)
Capital Outlay	113,612	3,861	17,093	17,093
Debt Service				
Principal	12,091	12,091	10,000	10,000
Interest	2,909	2,909	3,225	3,225
Total Expenses	1,864,456	1,170,498	1,834,062	1,288,552

The dependence upon property tax receipts is apparent in 2007 and 2006 as over 61 percent and 62 percent for 2007 and 2006, respectively, of governmental activities were supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$2,114,130 and \$1,967,286 for 2007 and 2006, respectively, and disbursements of \$1,864,456 and \$1,834,062 for 2007 and 2006, respectively. The greatest change within governmental funds occurred within the Police Fund and the General Fund. The fund balance for the Police Fund increased by \$83,079 for 2007 compared to \$52,451 for 2006, as a result of an increase in property tax receipts and a decrease in expenses. The General Fund increased in 2007 by an amount of \$111,735 due to a decrease in general government expenses.

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 funds are the General, Garbage & Waste Disposal, Police District, and Fire District Funds.

For 2007 and 2006, the Township amended its budget to reflect changing circumstances. Actual receipts were higher than the budgeted amount for 2007. During 2006, actual receipts were higher than the budgeted amount for 2007 for the General Fund and Garbage & Waste Disposal.

Disbursements for 2007 were appropriated at \$448,500 and actual disbursements were \$187,944, while disbursements for 2006 were appropriated at \$375,400 and actual disbursements were \$280,089 for the General Fund. The Township appropriates available revenues but spends conservatively. The Township keeps a close monitoring on all disbursements to prevent having to request additional funds from taxpayers.

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

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep tracks of its capital assets and infrastructure. The Township uses an inventory system for each department.

Debt

At December 31, 2007, the Township's outstanding debt included \$57,909 in cemetery land acquisition notes.

Current Issues

The challenge for all Governments 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. While being proactive to protect farmland and promote development in appropriate areas, the JEDD was formed with the city of Clayton in a cooperative effort to raise needed development funding for that area. The JEDD also protects the township from annexation during its duration. This is a shared income venture that is beneficial for both Governments.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the Government'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 Holly Buchanan, Fiscal Officer, Clay Township, 8207 Arlington Road, Brookville, Ohio 45309.

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Clay Township
Montgomery County
Statement of Net Assets - Modified Cash Basis
December 31, 2007

	Governmental Activities	Total
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 1,002,088	\$ 1,002,088
<i>Total Assets</i>	<u>\$ 1,002,088</u>	<u>\$ 1,002,088</u>
 Net Assets		
Restricted For:		
Capital Projects	\$ 1,147	\$ 1,147
Other Purposes	598,226	598,226
Unrestricted	<u>402,715</u>	<u>402,715</u>
<i>Total Net Assets</i>	<u>\$ 1,002,088</u>	<u>\$ 1,002,088</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007

	Cash Disbursements	Program Cash Receipts		Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions		Governmental Activities
Governmental Activities					
General Government	\$ 189,644	\$ 14,583	\$ 0	\$ 0	\$ (175,061)
Public Safety	988,411	12,169	94,083	0	(882,159)
Public Works	532,282	269,699	140,265	0	(122,318)
Health	25,507	53,408		0	27,901
Capital Outlay	113,612	0	0	109,751	(3,861)
Debt Service:					
Principal	12,091	0	0	0	(12,091)
Interest	2,909	0	0	0	(2,909)
<i>Total Governmental Activities</i>	<u>\$ 1,864,456</u>	<u>\$ 349,859</u>	<u>\$ 234,348</u>	<u>\$ 109,751</u>	<u>\$ (1,170,498)</u>
General Receipts					
Property Taxes				\$	1,151,868
Grants and Entitlements not Restricted to Specific Programs					131,695
Interest					43,182
Miscellaneous					93,427
<i>Total General Receipts</i>					1,420,172
Change in Net Assets					249,674
<i>Net Assets Beginning of Year</i>					<u>752,414</u>
<i>Net Assets End of Year</i>				\$	<u>1,002,088</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Garbage & Waste Disp District</u>	<u>Police District</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 402,715	\$ 50,558	\$ 309,741	\$ 16	\$ 239,058	\$ 1,002,088
<i>Total Assets</i>	<u>\$ 402,715</u>	<u>\$ 50,558</u>	<u>\$ 309,741</u>	<u>\$ 16</u>	<u>\$ 239,058</u>	<u>\$ 1,002,088</u>
Fund Balances						
Unreserved:						
General Fund	\$ 402,715	\$ 0	\$ 0	\$ 0	\$ 0	\$ 402,715
Special Revenue Funds	0	50,558	309,741	16	237,911	598,226
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,147</u>	<u>1,147</u>
<i>Total Fund Balances</i>	<u>\$ 402,715</u>	<u>\$ 50,558</u>	<u>\$ 309,741</u>	<u>\$ 16</u>	<u>\$ 239,058</u>	<u>\$ 1,002,088</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Garbage & Waste Disp District	Police District	Fire District	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 75,213	\$ 0	\$ 421,620	\$ 532,760	\$ 122,275	\$ 1,151,868
Charges for Services	0	269,699	0	0	0	269,699
Licenses, Permits and Fees	14,583	0	0	0	41,158	55,741
Fines and Forfeitures	11,874	0	0	0	295	12,169
Intergovernmental	111,725	0	43,427	50,656	269,986	475,794
Special Assessments	0	0	0	0	0	0
Interest	23,145	0	0	0	20,037	43,182
Other	63,139	0	22,433	0	20,105	105,677
<i>Total Receipts</i>	<u>\$ 299,679</u>	<u>\$ 269,699</u>	<u>\$ 487,480</u>	<u>\$ 583,416</u>	<u>\$ 473,856</u>	<u>\$ 2,114,130</u>
Disbursements						
Current:						
General Government	\$ 174,944	\$ 0	\$ 0	\$ 0	\$ 14,700	\$ 189,644
Public Safety	0	0	404,401	584,010	0	988,411
Public Works	0	264,776	0	0	267,506	532,282
Health	0	0	0	0	25,507	25,507
Capital Outlay	0	0	0	0	113,612	113,612
Debt Service:						
Principal Retirement	10,479	0	0	0	1,612	12,091
Interest and Fiscal Charges	2,521	0	0	0	388	2,909
<i>Total Disbursements</i>	<u>\$ 187,944</u>	<u>\$ 264,776</u>	<u>\$ 404,401</u>	<u>\$ 584,010</u>	<u>\$ 423,325</u>	<u>\$ 1,864,456</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>111,735</u>	<u>4,923</u>	<u>83,079</u>	<u>(594)</u>	<u>50,531</u>	<u>249,674</u>
<i>Net Change in Fund Balances</i>	111,735	4,923	83,079	(594)	50,531	249,674
<i>Fund Balances Beginning of Year</i>	<u>290,980</u>	<u>45,635</u>	<u>226,662</u>	<u>610</u>	<u>188,527</u>	<u>752,414</u>
<i>Fund Balances End of Year</i>	<u>\$ 402,715</u>	<u>\$ 50,558</u>	<u>\$ 309,741</u>	<u>\$ 16</u>	<u>\$ 239,058</u>	<u>\$ 1,002,088</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 98,150	\$ 75,000	\$ 75,213	\$ 213
Licenses, Permits and Fees	20,500	10,000	14,583	4,583
Fines and Forfeitures	10,000	10,000	11,874	1,874
Intergovernmental	78,500	21,486	111,725	90,239
Interest	22,000	22,000	23,145	1,145
Other	130,000	50,000	63,139	13,139
<i>Total Receipts</i>	<u>\$ 359,150</u>	<u>\$ 188,486</u>	<u>\$ 299,679</u>	<u>\$ 111,193</u>
Disbursements				
Current:				
General Government	\$ 428,500	\$ 412,900	\$ 174,944	\$ 237,956
Capital Outlay	20,000	20,000	0	20,000
Debt Service:				
Principal Retirement	0	10,500	10,479	21
Interest and Fiscal Charges	0	2,600	2,521	79
<i>Total Disbursements</i>	<u>\$ 448,500</u>	<u>\$ 446,000</u>	<u>\$ 187,944</u>	<u>\$ 258,056</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(89,350)</u>	<u>(257,514)</u>	<u>111,735</u>	<u>369,249</u>
Other Financing Sources (Uses)				
Transfers Out	(2,000)	(2,000)	0	(2,000)
Advance Out	(2,000)	(2,000)	0	(2,000)
Other Financing Sources	1,338	1,338	0	1,338
Other Financing Uses	0	(500)	0	(500)
Total Other Financing Sources (Uses)	<u>(2,662)</u>	<u>(3,162)</u>	<u>0</u>	<u>(3,162)</u>
<i>Net Change in Fund Balance</i>	<u>(92,012)</u>	<u>(260,676)</u>	<u>111,735</u>	<u>372,411</u>
<i>Fund Balance Beginning of Year</i>	<u>290,980</u>	<u>290,980</u>	<u>290,980</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 198,968</u>	<u>\$ 30,304</u>	<u>\$ 402,715</u>	<u>\$ 372,411</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
Garbage & Waste Diposal District
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
				Positive (Negative)
Receipts				
Charges for Services	\$ 250,000	\$ 265,000	\$ 269,699	\$ 4,699
<i>Total Receipts</i>	\$ 250,000	\$ 265,000	\$ 269,699	\$ 4,699
Disbursements				
Current:				
Public Works	\$ 285,600	\$ 310,600	\$ 264,776	\$ 45,824
<i>Total Disbursements</i>	\$ 285,600	\$ 310,600	\$ 264,776	\$ 45,824
<i>Excess of Receipts Over (Under) Disbursements</i>	(35,600)	(45,600)	4,923	50,523
<i>Net Change in Fund Balance</i>	(35,600)	(45,600)	4,923	50,523
<i>Fund Balance Beginning of Year</i>	45,635	45,635	45,635	0
<i>Fund Balance End of Year</i>	\$ 10,035	\$ 35	\$ 50,558	\$ 50,523

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
Police District
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	\$ 425,000	\$ 412,013	\$ 421,620	\$ 9,607
Intergovernmental	45,000	40,000	43,427	3,427
Other	13,000	13,000	22,433	9,433
<i>Total Receipts</i>	<u>\$ 483,000</u>	<u>\$ 465,013</u>	<u>\$ 487,480</u>	<u>\$ 22,467</u>
Disbursements				
Current:				
Public Safety	\$ 686,500	\$ 686,500	\$ 404,401	\$ 282,099
Capital Outlay	5,000	5,000	0	5,000
<i>Total Disbursements</i>	<u>\$ 691,500</u>	<u>\$ 691,500</u>	<u>\$ 404,401</u>	<u>\$ 287,099</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(208,500)</u>	<u>(226,487)</u>	<u>83,079</u>	<u>309,566</u>
<i>Net Change in Fund Balance</i>	(208,500)	(226,487)	83,079	309,566
<i>Fund Balance Beginning of Year</i>	<u>226,662</u>	<u>226,662</u>	<u>226,662</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 18,162</u>	<u>\$ 175</u>	<u>\$ 309,741</u>	<u>\$ 309,566</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
Fire District
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	\$ 535,000	\$ 535,506	\$ 532,760	\$ (2,746)
Intergovernmental	<u>52,000</u>	<u>50,000</u>	<u>50,656</u>	<u>656</u>
<i>Total Receipts</i>	<u>\$ 587,000</u>	<u>\$ 585,506</u>	<u>\$ 583,416</u>	<u>\$ (2,090)</u>
Disbursements				
Current:				
Public Safety	\$ <u>575,600</u>	\$ <u>585,600</u>	\$ <u>584,010</u>	\$ <u>1,590</u>
<i>Total Disbursements</i>	<u>\$ 575,600</u>	<u>\$ 585,600</u>	<u>\$ 584,010</u>	<u>\$ 1,590</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,400</u>	<u>(94)</u>	<u>(594)</u>	<u>(500)</u>
<i>Net Change in Fund Balance</i>	11,400	(94)	(594)	(500)
<i>Fund Balance Beginning of Year</i>	<u>610</u>	<u>610</u>	<u>610</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 12,010</u>	<u>\$ 516</u>	<u>\$ 16</u>	<u>\$ (500)</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Net Assets - Modified Cash Basis
December 31, 2006

	Governmental Activities	Total
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 752,414	\$ 752,414
<i>Total Assets</i>	\$ 752,414	\$ 752,414
 Net Assets		
Restricted For:		
Capital Projects	\$ 1,147	\$ 1,147
Other Purposes	460,287	460,287
Unrestricted	290,980	290,980
<i>Total Net Assets</i>	\$ 752,414	\$ 752,414

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u>
	<u>Disbursements</u>	<u>Charges</u>	<u>Operating</u>	<u>Receipts and Changes</u>
		<u>for Services</u>	<u>Grants and</u>	<u>in Net Assets</u>
		<u>and Sales</u>	<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Governmental Activities				
General Government	\$ 271,639	\$ 21,250	\$ 3,209	\$ (247,180)
Public Safety	992,525	9,205	95,442	(887,878)
Public Works	513,665	237,808	138,487	(137,370)
Health	25,915	40,109	0	14,194
Capital Outlay	17,093	0	0	(17,093)
Debt Service:				
Principal	10,000	0	0	(10,000)
Interest	3,225	0	0	(3,225)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Total Governmental Activities</i>	<u>\$ 1,834,062</u>	<u>\$ 308,372</u>	<u>\$ 237,138</u>	<u>\$ (1,288,552)</u>
 General Receipts				
Property Taxes				\$ 1,142,715
Grants and Entitlements not Restricted to Specific Programs				156,719
Interest				38,750
Miscellaneous				<u>83,592</u>
<i>Total General Receipts</i>				1,421,776
Change in Net Assets				133,224
<i>Net Assets Beginning of Year</i>				<u>619,190</u>
<i>Net Assets End of Year</i>				<u>\$ 752,414</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Garbage & Waste Disp District</u>	<u>Police District</u>	<u>Fire District</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 290,980	\$ 45,635	\$ 226,662	\$ 610	\$ 188,527	\$ 752,414
<i>Total Assets</i>	<u>\$ 290,980</u>	<u>\$ 45,635</u>	<u>\$ 226,662</u>	<u>\$ 610</u>	<u>\$ 188,527</u>	<u>\$ 752,414</u>
Fund Balances						
Unreserved:						
General Fund	\$ 290,980	\$ 0	\$ 0	\$ 0	\$ 0	\$ 290,980
Special Revenue Funds	0	45,635	226,662	610	187,380	460,287
Capital Projects Funds	0	0	0	0	1,147	1,147
<i>Total Fund Balances</i>	<u>\$ 290,980</u>	<u>\$ 45,635</u>	<u>\$ 226,662</u>	<u>\$ 610</u>	<u>\$ 188,527</u>	<u>\$ 752,414</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Garbage & Waste Disp District	Police District	Fire District	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 98,084	\$ 0	\$ 415,732	\$ 519,774	\$ 109,125	\$ 1,142,715
Charges for Services	0	237,808	0	0	0	237,808
Licenses, Permits and Fees	20,254	0	0	0	32,359	52,613
Fines and Forfeitures	9,131	0	0	0	74	9,205
Intergovernmental	147,392	0	43,868	51,575	151,022	393,857
Special Assessments	0	0	0	0	996	996
Interest	22,357	0	0	0	16,393	38,750
Other	59,987	0	12,555	0	18,800	91,342
<i>Total Receipts</i>	<u>\$ 357,205</u>	<u>\$ 237,808</u>	<u>\$ 472,155</u>	<u>\$ 571,349</u>	<u>\$ 328,769</u>	<u>\$ 1,967,286</u>
Disbursements						
Current:						
General Government	\$ 271,639	\$ 0	\$ 0	\$ 0	\$ 0	\$ 271,639
Public Safety	0	0	419,704	572,821	0	992,525
Public Works	0	256,398	0	0	257,267	513,665
Health	0	0	0	0	25,915	25,915
Capital Outlay	1,450	0	0	0	15,643	17,093
Debt Service:						
Principal Retirement	5,293	0	0	0	4,707	10,000
Interest and Fiscal Charges	1,707	0	0	0	1,518	3,225
<i>Total Disbursements</i>	<u>\$ 280,089</u>	<u>\$ 256,398</u>	<u>\$ 419,704</u>	<u>\$ 572,821</u>	<u>\$ 305,050</u>	<u>\$ 1,834,062</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>77,116</u>	<u>(18,590)</u>	<u>52,451</u>	<u>(1,472)</u>	<u>23,719</u>	<u>133,224</u>
<i>Net Change in Fund Balances</i>	77,116	(18,590)	52,451	(1,472)	23,719	133,224
<i>Fund Balances Beginning of Year</i>	<u>213,864</u>	<u>64,225</u>	<u>174,211</u>	<u>2,082</u>	<u>164,808</u>	<u>619,190</u>
<i>Fund Balances End of Year</i>	<u>\$ 290,980</u>	<u>\$ 45,635</u>	<u>\$ 226,662</u>	<u>\$ 610</u>	<u>\$ 188,527</u>	<u>\$ 752,414</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
General 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	\$ 37,000	\$ 87,558	\$ 98,084	\$ 10,526
Charges for Services	0	0	0	0
Licenses, Permits and Fees	20,000	20,000	20,254	254
Fines and Forfeitures	15,000	15,000	9,131	(5,869)
Intergovernmental	90,301	90,301	147,392	57,091
Interest	20,000	20,000	22,357	2,357
Other	54,000	54,000	59,987	5,987
<i>Total Receipts</i>	<u>\$ 236,301</u>	<u>\$ 286,859</u>	<u>\$ 357,205</u>	<u>\$ 70,346</u>
Disbursements				
Current:				
General Government	\$ 363,400	\$ 356,400	\$ 271,639	\$ 84,761
Capital Outlay	10,000	10,000	1,450	8,550
Debt Service:				
Principal Retirement	0	6,000	5,293	707
Interest and Fiscal Charges	0	2,000	1,707	293
<i>Total Disbursements</i>	<u>\$ 373,400</u>	<u>\$ 374,400</u>	<u>\$ 280,089</u>	<u>\$ 94,311</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(137,099)</u>	<u>(87,541)</u>	<u>77,116</u>	<u>164,657</u>
Other Financing Sources (Uses)				
Transfers Out	(1,000)	(1,000)	0	(1,000)
Total Other Financing Sources (Uses)	(1,000)	(1,000)	0	(1,000)
<i>Net Change in Fund Balance</i>	(138,099)	(88,541)	77,116	165,657
<i>Fund Balance Beginning of Year</i>	<u>213,864</u>	<u>213,864</u>	<u>213,864</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 75,765</u>	<u>\$ 125,323</u>	<u>\$ 290,980</u>	<u>\$ 165,657</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
Garbage & Waste Diposal District
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				
Charges for Services	\$ 360,000	\$ 233,000	\$ 237,808	\$ 4,808
Other	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>(2,000)</u>
<i>Total Receipts</i>	<u>\$ 362,000</u>	<u>\$ 235,000</u>	<u>\$ 237,808</u>	<u>\$ 2,808</u>
Disbursements				
Current:				
Public Works	\$ <u>290,800</u>	\$ <u>290,800</u>	\$ <u>256,398</u>	\$ <u>34,402</u>
<i>Total Disbursements</i>	<u>290,800</u>	<u>290,800</u>	<u>256,398</u>	<u>34,402</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>71,200</u>	<u>(55,800)</u>	<u>(18,590)</u>	<u>37,210</u>
<i>Net Change in Fund Balance</i>	71,200	(55,800)	(18,590)	37,210
<i>Fund Balance Beginning of Year</i>	<u>64,225</u>	<u>64,225</u>	<u>64,225</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 135,425</u></u>	<u><u>\$ 8,425</u></u>	<u><u>\$ 45,635</u></u>	<u><u>\$ 37,210</u></u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
Police District
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	\$ 450,000	\$ 432,719	\$ 415,732	\$ (16,987)
Intergovernmental	50,000	50,000	43,868	(6,132)
Other	30,000	15,000	12,555	(2,445)
<i>Total Receipts</i>	<u>\$ 530,000</u>	<u>\$ 497,719</u>	<u>\$ 472,155</u>	<u>\$ (25,564)</u>
Disbursements				
Current:				
Public Safety	\$ 661,000	\$ 661,000	\$ 419,704	\$ 241,296
Capital Outlay	10,900	10,900	0	10,900
<i>Total Disbursements</i>	<u>\$ 671,900</u>	<u>\$ 671,900</u>	<u>\$ 419,704</u>	<u>\$ 252,196</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(141,900)</u>	<u>(174,181)</u>	<u>52,451</u>	<u>226,632</u>
<i>Net Change in Fund Balance</i>	(141,900)	(174,181)	52,451	226,632
<i>Fund Balance Beginning of Year</i>	<u>174,211</u>	<u>174,211</u>	<u>174,211</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 32,311</u>	<u>\$ 30</u>	<u>\$ 226,662</u>	<u>\$ 226,632</u>

See accompanying notes to the basic financial statements

Clay Township
Montgomery County
Statement of Receipts, Disbursements and Changes in
Fund Balance - Budget and Actual - Budget Basis
Fire District
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	\$ 530,000	\$ 541,718	\$ 519,774	\$ (21,944)
Intergovernmental	30,000	30,000	51,575	21,575
<i>Total Receipts</i>	<u>\$ 560,000</u>	<u>\$ 571,718</u>	<u>\$ 571,349</u>	<u>\$ (369)</u>
Disbursements				
Current:				
Public Safety	\$ 519,900	\$ 573,800	\$ 572,821	\$ 979
<i>Total Disbursements</i>	<u>\$ 519,900</u>	<u>\$ 573,800</u>	<u>\$ 572,821</u>	<u>\$ 979</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>40,100</u>	<u>(2,082)</u>	<u>(1,472)</u>	<u>610</u>
<i>Net Change in Fund Balance</i>	40,100	(2,082)	(1,472)	610
<i>Fund Balance Beginning of Year</i>	<u>2,082</u>	<u>2,082</u>	<u>2,082</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$ 42,182</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 610</u></u>	<u><u>\$ 610</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

Clay Township, Montgomery County, Ohio (the Township), is a body politic and corporate established in 1835 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 Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units 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, emergency services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of Phillipsburg, Village of Verona, and City of Brookville for fire protection. Police protection is provided by a fully staffed police 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. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

C. Joint Ventures, Jointly Governed Organizations, and Public Entity Risk Pools

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the *modified* cash basis of accounting, the Township does not report assets for equity interests in joint ventures.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Township has one joint venture organization; the ClayPhil Waste District. Note 12 to the financial statements provides additional information for this entity.

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

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified 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 modified cash basis of accounting. In the government-wide financial statements and the fund 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 modified 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.

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 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 modified 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 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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 all 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:

General 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.

Garbage & Waste Disposal – is used to account for all receipts of charges for services to provide Township residents with trash pickup

Police District – This fund accounts for monies received from tax levy for the purpose of maintaining the police department.

Fire District – This fund accounts for monies received from tax levy for the purpose of maintaining the fire department.

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

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. 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.

As a result of the use of this modified 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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All 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 ordinance, 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 Township 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 ordinance 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 ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts reflect the amounts at the time final appropriations were passed by the Township during the year.

E. Cash and Investments

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

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively. During 2007 and 2006, the Township invested in STAR Ohio, certificates of deposit, and a money market account.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR OHIO is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the investment company act of 1940. Investments in STAR OHIO are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007 and 2006.

Interest earnings are allocated to Township funds according to State statutes. Interest receipts credited to the General Fund during 2007 and 2006 were \$23,145 and \$22,357, respectively.

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

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

The Township has no restricted assets.

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 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 modified 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 health care 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 and bridge maintenance, cemetery maintenance, fire protection and emergency rescue services. 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.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

For the year ended December 31, 2006 the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Effective January 1, 2006 the Township implemented the modified cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

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

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 Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and emergency rescue service fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances treated as disbursements (budgetary basis) rather than as a reservation of fund balance (*modified* cash basis). The Township has no outstanding encumbrances at year end.

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 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
Montgomery 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) 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 (STAR Ohio).

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.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2007, the carrying amount of the Township’s deposits were \$831,136 and the bank balance was \$911,638. At December 31, 2006, the carrying amount of the Township’s deposits were \$590,497 and the bank balance was \$665,208. Of the bank balance, \$100,000 was covered by federal depository Insurance Corporation and \$811,638 and \$565,208 for 2007 and 2006, respectively, was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the Township’s name.

The Township has no 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.

B. Investments

As of December 31, 2007 and 2006, the Township had the following investments:

	Carrying Value 2007	Carrying Value 2006
Certificates of Deposit	\$ 53,737	\$ 50,457
STAR Ohio	117,215	111,460
Total Portfolio	\$ 170,952	\$ 161,917

These investments have a maturity of less than one year.

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

Note 5 – Deposits and Investments (continued)

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Credit Risk – the Money Market Fund carries a rating of AAA by Standard and Poor's and AAA by Moody's. The Township's Investment Policy is limited to requiring compliance with state statutes. Ohio law requires at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee." The Township has no limit on the amount it invests in any one issuer.

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, respectively. Real property taxes received in 2007 and 2006 were levied after October 1, 2006 and 2005, on the assessed values as of January 1, 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 each year; 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
Montgomery 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 2006 and 2005 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 assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

	<u>2007</u>	<u>2006</u>
Real Property		
Residential	\$132,637,280	\$130,898,150
Agricultural	8,871,710	8,940,900
Commercial/Industrial/Mineral	28,274,020	28,910,000
Public Utility – Personal Property	3,822,660	4,874,880
Total Assessed Value	\$173,605,670	\$173,623,930

Note 7 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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.

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

Note 7 – Risk Management (continued)

Property Coverage

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained Earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted 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 related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$39,450. 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.

The Township's contributions to OTARMA for the past three years are as follows:

<u>Contributions to OTARMA</u>	
2007	\$19,725
2006	\$23,018
2005	\$22,117

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

Note 7 – Risk Management (continued)

After completing one year of membership, member may withdraw on each anniversary of the date they joined OTARMA provided the give 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

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional pension 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 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.

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) 222-6705 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. In 2006 it was 9.0 percent. The Township's contribution rate for pension benefits for 2007 was 13.85 percent and 13.70 percent in 2006. 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 \$124,154, \$96,434, and \$95,602 respectively. The full amount has been contributed for 2007, 2006 and 2005.

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

Note 9 – Postemployment Benefits

A. 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. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12.

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 and 2006 local government employer contribution rate was 13.85 and 13.70 percent, respectively of covered payroll; 5.0 percent (January 1 through June 30) and 6.0 percent (July 1 through December 31) for 2007 and 4.5 percent for 2006, of covered payroll was the portion that was used to fund health care in 2007 and 2006, respectively.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 5 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. 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.

The number of active contributing participants in the traditional and combined plans was 374,979. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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

Note 10 – Debt

The Cemetery site acquisition note was issued for the purchase of land for a cemetery in 2000. It was refinanced in June 2005. The note is collateralized solely by the Township’s taxing authority.

The Township’s long-term debt authority for the year ended December 31, 2007 was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2006</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
Cemetery Site Acquisition Note	4.10%	\$70,000	\$12,091	\$57,909

The Township’s long-term debt authority for the year ended December 31, 2006 was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2006</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>
Cemetery Site Acquisition Note	4.10%	\$80,000	\$10,000	\$70,000

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

<u>For Year Ending December 31:</u>	<u>Cemetery</u>	
	<u>Principal</u>	<u>Interest</u>
2008	10,000	2,374
2009	10,000	1,964
2010	37,909	1,554
Total	57,909	5,892

Note 11 – Subsequent Events

The Township has joined with the city of Clayton in a Joint Economic Development District (JEDD) in the area of State Route 40 and 49, corridor. The effective date of the JEDD and imposing an income tax is January 1, 2008. The JEDD was established to control growth in the area and have the funding available to support efforts of economic development in the corridor.

Note 12 – Joint Ventures

Joint waste district – ClayPhil waste district. The Township and the Village of Philipsburg joined together to form a joint district for the benefit of trash collection for the residents of the Township and Village. The contract is with Dempsey Waste and was renewed in 2007 for a term of three years.

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

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

Clay Township
Montgomery County
8207 Arlington Rd.
Brookville, Ohio 45309

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, Montgomery 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 June 25, 2008, wherein we noted the Township implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local 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 the 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings to be a significant deficiencies in internal control over financial reporting: 2007-002 through 2007-005.

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.

Internal Control Over Financial Reporting, continued

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. However, we believe the significant deficiencies described above are also material weaknesses.

We noted certain matters that we reported to the Township's management in a separate letter dated June 25, 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 grants 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 that we must report under *Government Auditing Standard*, which are described in the accompanying schedule of findings as item 2007-001.

We 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 June 25, 2008.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Township Trustees. It is not intended for anyone other than these specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 25, 2008

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

- 1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Township.

- 2. Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super blanket certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-001, continued

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Township's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

During both 2006 and 2007, the Township issued "Then and Now" purchase orders for amounts greater than the \$3,000 limit imposed by the Ohio Revised Code. The Township also issued purchase orders after the incurrence of an expense without certifying the purchase order as a "Then and Now."

Response: Fiscal Officer will review the proper use of purchase orders.

FINDING NUMBER 2007-002

On behalf payments/Budgetary

The Township did not record on-behalf payments made to contractors for the Ohio Public Works Issue II Grant in 2007 in the amount of \$109,751. The Township for the purpose of accounting for these on-behalf payments should record these monies in the appropriate fund established; also such monies should be budgeted by the Township. By not recording the receipts and disbursements, the Township's financial statements result in an understatement of financial benefit provided by the grant. The accompanying financial statement has been adjusted to reflect this activity.

We recommend the Township record future payments made by the grant as receipts and disbursements within the appropriate fund.

In addition, the Township should obtain an official certificate of estimated resource for any on-behalf-payments expected, and pass a resolution for its appropriation measure under Ohio Rev. Code section 5705.40.

Response: The Township will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-003

Financial Reporting

As a result of the audit procedures performed, misclassifications were noted in the financial statements that required material audit adjustments.

1. Selected Intergovernmental Receipts were posted to Miscellaneous
2. On behalf payments from Ohio Public Works Commission (OPWC) were not properly recorded in the amount of \$109,751 in 2007.
3. Certificate of Deposit (CD) balances did not agree to the actual CD's on hand at December 31, 2006 and 2007. In 2007, the difference was \$101 and \$1,490 for 2006; this was due to posting of unearned interest.
4. Star Ohio account balance at December 31, 2007 did not agree to statement. Difference was \$504, which was unrecorded interest for the month of August.
5. Adjustments were needed to properly reflect the debt payments in 2007 and 2006, which were recorded in capital outlay and general governmental.
6. Budgetary reporting of estimated resources and appropriations on the Township's financial statement did not agree with the amounts filed with the County Auditor.

These financial statements have been adjusted to reflect the items above.

Sound financial reporting is the responsibility of the Fiscal Officer and Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. Procedures should be implemented, including a final review of the annual report by Trustees to identify and correct misclassifications.

Response: The Trustees have reviewed the finding and will take responsibility to rectify the matter.

FINDING NUMBER 2007-004

Significant Deficiency in Internal Control – Waste Collections

The Township bills residents for garbage and waste collections. Payments are posted against each individuals account. Payments in cash are posted to individual accounts; however, cash is not always included with the deposit to the financial institution. Undeposited cash is retained for petty cash purposes by the Township.

The Township should implement procedures in which all monies collected are deposited in the financial institution and the deposit is matched to that day's collection report by an independent party. Any discrepancies should be investigated. Petty cash should only be reimbursed by check.

Response: The Trustees will review the procedures and implement changes as deemed necessary.

**CLAY TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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

FINDING NUMBER 2007-005

Significant Deficiency in Internal Control - Payroll Processing

The Township police employees are paid bi-monthly. The police employees fill out time sheets; however the timesheets do not coordinate to the time periods in which they are paid. The hours are sometimes estimated to process the bimonthly pay periods and then the next pay period is adjusted to reflect the overage or under payment of hours.

The Township should implement time sheets to correspond to the time periods paid or change the bimonthly payment procedure. Estimating hours can lead to errors in correcting in the next time period.

Response: The Township will review its current procedures and implement changes as needed.



Mary Taylor, CPA
Auditor of State

CLAY TOWNSHIP
MONTGOMERY 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
OCTOBER 9, 2008