

Clay Township

Gallia County, Ohio

Regular Audit

January 1, 2004 Through December 31, 2005

Fiscal Years Audited Under GAGAS: 2005 & 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
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Auditor of State Betty Montgomery

Board of Trustees
Clay Township
11126 State Route 7 South
Gallipolis, Ohio 45631

We have reviewed the *Independent Auditor's Report* of Clay Township, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 5, 2006

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Gallia County, Ohio
For the Years Ended December 31, 2005 and 2004
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Gallia County, Ohio
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Board of Trustees
Clay Township
Gallia County, Ohio
11126 State Route 7 South
Gallipolis, OH 45631

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio as of December 31, 2005 and 2004, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General, Gasoline Tax, and Fire District Funds, thereof for the years then ended in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Clay Township
Independent Auditors' Report
Page 2

The Management's Discussion and Analysis at pages 3-8 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.

As discussed further in Note 3, for the years ended December 31, 2005 and 2004, 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. The Township also implemented Governmental Accounting Standards Board Statement No. 38 – *Certain Additional Note Disclosures*, and GASB Statement No. 40 – *Deposits and Investment risk disclosures*.



Balestra, Harr & Scherer, CPAs, Inc.

June 19, 2006

Clay Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

This discussion and analysis of Clay Township's (the Township's) financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities increased \$41,644, or 45.58%, in 2005. Net assets of governmental activities increased \$19,985 or 28.00% in 2004. The fund most affected by the increase in cash and cash equivalents in 2005 was the Fire District Fund, which realized the greatest increase of receipts in 2005. The fund most affected by the increase in 2004 was also the Fire District Fund, which realized the greatest increase of receipts in 2004.

The Township's general receipts are primarily property and gasoline taxes. These receipts represent respectively 21.59% and 46.24% of the total cash received for governmental activities during 2005 and 21.57% and 49.16% of the total cash received for governmental activities during 2004. Property and gasoline tax receipts for 2005 and 2004 changed as development within the Township has slowly increased.

Using the Basic Financial Statements

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

Report Components

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

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

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

Clay Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Basis of Accounting

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

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at years end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other 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 and gasoline taxes.

In the statement of net assets and the statement of activities, we divide the Township into one type of activity:

Governmental activities. All of the Township's basic services are reported here. State and federal grants and property and gasoline taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Clay Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Reporting the Township's Most Significant Funds

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

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) is combined and presented in total in a single column. For 2005, the Township's major governmental funds are the General Fund, Gasoline Tax Fund, and Fire District Fund. For 2004, the Township's major governmental funds are the General Fund, Gasoline Fund, and Fire District Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$133,023	\$91,379
Total Assets	<u>\$133,023</u>	<u>\$91,379</u>
 Net Assets		
Unrestricted	44,135	22,885
Restricted	<u>88,888</u>	<u>68,494</u>
Total Net Assets	<u>\$133,023</u>	<u>\$91,379</u>

As mentioned previously, net assets of governmental activities increased \$41,644 or 45.58% during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Increase property tax collections due to increased property values and new construction.
- Increase in gasoline taxes.

Since 2004 is the first year the Township has reported on this method, there is no comparison to 2003.

Clay Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Receipts:		
Program Receipts:		
Operating Grants and Contributions	\$ 85,470	\$ 76,054
Total Program Receipts	<u>85,470</u>	<u>76,054</u>
General Receipts:		
Property and Other Local Taxes	35,803	29,495
Grants and Entitlements Not Restricted to Specific Programs	44,043	30,713
Sale of Capital Assets	-	2,327
Interest	386	265
Miscellaneous	<u>165</u>	<u>233</u>
Total General Receipts	<u>80,397</u>	<u>63,033</u>
Total Receipts	<u>165,867</u>	<u>139,087</u>
 Disbursements:		
General Government	23,739	24,784
Security of Persons and Property:		
Public Safety	24,666	19,138
Public Works	67,078	68,158
Human Services	8,740	7,022
Total Disbursements	<u>124,223</u>	<u>119,102</u>
 Increase (Decrease) in Net Assets	41,644	19,985
 Net Assets, January 1	91,379	71,394
Net Assets, December 31	<u>\$ 133,023</u>	<u>\$ 91,379</u>

Clay Township, Gallia County
 Management's Discussion and Analysis
 For the Years Ended December 31, 2005 and 2004
 Unaudited

Program receipts represent 50.08% of total receipts in 2005 and 53.28% of total receipts in 2004 and are primarily comprised of restricted intergovernmental receipts such as gas tax money.

General receipts represent 49.92% of the Township's total receipts for 2005 and 46.72% of the Township's total receipts for 2004, and of this amount, 43.24% are local taxes in 2005 and 45.39% are local taxes in 2004. Grants and entitlements not restricted to Specific Programs represents 56.10% of general receipts for 2005 and 50.27% of general receipts for 2004. 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 costs of council, and the auditor, treasurer, and income tax departments, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on pages 11 and 12, 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 general government and public works, which account for 12.78 and 64.19 percent of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identifies amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost Of Services 2005	Total Cost Of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
General Government	\$ 23,739	\$ 24,784	\$ 23,739	\$ 24,784
Public Safety	24,666	19,138	22,262	17,179
Public Works	67,078	68,158	(15,988)	(5,937)
Human Services	8,740	7,022	8,740	7,022
Total Expenses	\$ 124,223	\$ 119,102	\$ 38,753	\$ 43,048

Clay Township, Gallia County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
Unaudited

The Township's Funds

Total governmental funds had receipts of \$165,867 and disbursements of \$124,223 in 2005 and receipts of \$136,762 and disbursements of \$119,102 in 2004. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the General Tax Fund increased \$21,251 in 2005 as the result of increased receipts in property taxes and intergovernmental receipts. The fund balance of the General Fund increased by \$10,925 in 2004 as a result of increases in intergovernmental receipts.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During the course of fiscal years 2005 and 2004 the Township amended its General Fund budget once. The Township uses fund budgeting and the budgeting systems are designed to tightly control the total funds' budget.

For 2005, original and final budget basis receipts for the general fund were \$39,284. Actual cash receipts of \$60,933 were more than budget estimates by \$21,649. The original and final budgetary basis disbursements were \$62,169. The actual budgetary basis disbursements of \$39,682 were \$22,487 less than the final budget estimates.

For 2004, original and final budget basis receipts for the general fund were \$30,480 and \$46,551 respectively. Actual cash receipts of \$46,910 were more than budget estimates by \$359. The original and final budgetary basis disbursements were \$42,440 and \$46,440 respectively. Actual cash disbursements of \$35,985 were less than budget estimates by \$10,455.

Current Financial Related Activities

Clay Township is strong financially. As the preceding information shows, the Township heavily depends on its taxpayers. However, financially the future is not without challenges.

Contacting the Township's Financial Management

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

Clay Township, Gallia County
Statement of Net Assets - Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 133,023</u>
<i>Total Assets</i>	<u><u>\$133,023</u></u>
 Net Assets	
Restricted for:	
Other purposes	88,888
Unrestricted	<u>44,135</u>
<i>Total Net Assets</i>	<u><u>\$ 133,023</u></u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Net Assets - Cash Basis
December 31, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 91,379</u>
<i>Total Assets</i>	<u><u>\$91,379</u></u>
 Net Assets	
Restricted for:	
Other purposes	68,494
Unrestricted	<u>22,885</u>
<i>Total Net Assets</i>	<u><u>\$ 91,379</u></u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Operating Grants and Contributions	Governmental Activities
Governmental Activities			
General Government	\$ 23,739	\$ -	\$ (23,739)
Public Safety	24,666	2,404	(22,262)
Public Works	67,078	83,066	15,988
Human Services	8,740	-	(8,740)
<i>Total Governmental Activities</i>	<u>\$ 124,223</u>	<u>\$ 85,470</u>	<u>\$ (38,753)</u>
General Receipts			
Property Taxes Levied for:			
General Purposes			35,803
Grants and Entitlements not Restricted to Specific Programs			44,043
Interest			386
Miscellaneous			<u>165</u>
<i>Total General Receipts</i>			<u>80,397</u>
Change in Net Assets			41,644
<i>Net Assets Beginning of Year</i>			<u>91,379</u>
<i>Net Assets End of Year</i>			<u>\$ 133,023</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2004

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Assets
	Operating Grants and Contributions	Governmental Activities	
Governmental Activities			
General Government	\$ 24,784	\$ -	\$ (24,784)
Public Safety	19,138	1,959	(17,179)
Public Works	68,158	74,095	5,937
Human Services	7,022	-	(7,022)
<i>Total Governmental Activities</i>	<i>119,102</i>	<i>76,054</i>	<i>(43,048)</i>
General Receipts			
Property Taxes Levied for:			
General Purposes	29,495		
Grants and Entitlements not Restricted to Specific Programs	30,713		
Sale of Capital Assets	2,327		
Interest	265		
Miscellaneous	233		
<i>Total General Receipts</i>	<i>63,033</i>		
Change in Net Assets		19,985	
<i>Net Assets Beginning of Year</i>		<i>71,394</i>	
<i>Net Assets End of Year</i>	<i>\$ 91,379</i>		

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 44,136	\$ 26,175	\$ 58,169	\$ 4,543	\$ 133,023
<i>Total Assets</i>	<u>44,136</u>	<u>26,175</u>	<u>58,169</u>	<u>4,543</u>	<u>133,023</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	44,136	-	-	-	44,136
Special Revenue Funds	-	26,175	58,169	4,543	88,887
<i>Total Fund Balances</i>	<u>\$ 44,136</u>	<u>\$ 26,175</u>	<u>\$ 58,169</u>	<u>\$ 4,543</u>	<u>\$ 133,023</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gasoline Tax Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 22,885	\$ 11,600	\$ 54,376	\$ 2,518	\$ 91,379
<i>Total Assets</i>	<u>22,885</u>	<u>11,600</u>	<u>54,376</u>	<u>2,518</u>	<u>91,379</u>
Fund Balances					
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	22,885	-	-	-	22,885
Special Revenue Funds		11,600	54,376	2,518	68,494
<i>Total Fund Balances</i>	<u>\$ 22,885</u>	<u>\$ 11,600</u>	<u>\$ 54,376</u>	<u>\$ 2,518</u>	<u>\$ 91,379</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Cash Receipts, Disbursements and Changes in-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 16,216	\$ -	\$ 19,587	\$ -	\$ 35,803
Intergovernmental	44,043	76,690	2,404	6,183	129,320
Interest	316	54	-	16	386
Other	358	-	-	-	358
<i>Total Receipts</i>	<i>60,933</i>	<i>76,744</i>	<i>21,991</i>	<i>6,199</i>	<i>165,867</i>
Disbursements					
Current:					
General Government	23,739	-	-	-	23,739
Public Safety	7,204	-	17,462	-	24,666
Public Works	-	53,805	736	4,174	58,715
Human Services	8,739	-	-	-	8,739
Debt Service:					
Principal Retirement	-	8,183	-	-	8,183
Interest and Fiscal Charges	-	181	-	-	181
<i>Total Disbursements</i>	<i>39,682</i>	<i>62,169</i>	<i>18,198</i>	<i>4,174</i>	<i>124,223</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>21,251</i>	<i>14,575</i>	<i>3,793</i>	<i>2,025</i>	<i>41,644</i>
<i>Net Change in Fund Balances</i>	<i>21,251</i>	<i>14,575</i>	<i>3,793</i>	<i>2,025</i>	<i>41,644</i>
<i>Fund Balances Beginning of Year</i>	<i>22,885</i>	<i>11,600</i>	<i>54,376</i>	<i>2,518</i>	<i>91,379</i>
<i>Fund Balances End of Year</i>	<i>\$ 44,136</i>	<i>\$ 26,175</i>	<i>\$ 58,169</i>	<i>\$ 4,543</i>	<i>\$ 133,023</i>

See accompanying notes to the basic financial statements

Clay Township, Gallia County

*Statement of Cash Receipts, Disbursements and Changes in-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004*

	General	Gasoline Tax Fund	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 13,511	\$ -	\$ 15,984	\$ -	\$ 29,495
Intergovernmental	30,713	67,226	1,959	6,869	106,767
Interest	187	68	-	11	266
Other	172	-	62	-	234
<i>Total Receipts</i>	<i>44,583</i>	<i>67,294</i>	<i>18,005</i>	<i>6,880</i>	<i>136,762</i>
Disbursements					
Current:					
General Government	24,784	-	-	-	24,784
Public Safety	4,179	-	15,466	-	19,645
Public Works	-	50,555	-	4,400	54,955
Human Services	7,022	-	-	-	7,022
Debt Service:					
Principal Retirement	-	11,723	-	-	11,723
Interest and Fiscal Charges	-	974	-	-	974
<i>Total Disbursements</i>	<i>35,985</i>	<i>63,252</i>	<i>15,466</i>	<i>4,400</i>	<i>119,103</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>8,598</i>	<i>4,042</i>	<i>2,539</i>	<i>2,480</i>	<i>17,659</i>
Other Financing Sources (Uses)					
Sale of Capital Assets	2,327	-	-	-	2,327
<i>Total Other Financing Sources (Uses)</i>	<i>2,327</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>2,327</i>
<i>Net Change in Fund Balances</i>	<i>10,925</i>	<i>4,042</i>	<i>2,539</i>	<i>2,480</i>	<i>19,986</i>
<i>Fund Balances Beginning of Year</i>	<i>11,960</i>	<i>7,558</i>	<i>51,837</i>	<i>38</i>	<i>71,393</i>
<i>Fund Balances End of Year</i>	<i>\$ 22,885</i>	<i>\$ 11,600</i>	<i>\$ 54,376</i>	<i>\$ 2,518</i>	<i>\$ 91,379</i>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis*
General Fund
For the Year Ended December 31, 2005

	<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	\$ 15,026	\$ 15,026	\$ 16,216	\$ 1,190
Intergovernmental	18,625	18,625	44,043	25,418
Interest	264	264	316	52
Other	5,369	5,369	358	(5,011)
<i>Total receipts</i>	<u>39,284</u>	<u>39,284</u>	<u>60,933</u>	<u>21,649</u>
Disbursements				
Current:				
General Government	26,956	27,255	23,739	3,516
Public Safety	8,047	8,047	7,204	843
Human Services	27,166	26,867	8,739	18,128
<i>Total Disbursements</i>	<u>62,169</u>	<u>62,169</u>	<u>39,682</u>	<u>22,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(22,885)</u>	<u>(22,885)</u>	<u>21,251</u>	<u>44,136</u>
<i>Net Change in Fund Balance</i>	<u>(22,885)</u>	<u>(22,885)</u>	<u>21,251</u>	<u>44,136</u>
<i>Fund Balance Beginning of Year</i>	<u>22,885</u>	<u>22,885</u>	<u>22,885</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,136</u>	<u>\$ 44,136</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 59,211	\$ 74,211	\$ 76,690	\$ 2,479
Interest	70	70	54	(16)
<i>Total receipts</i>	<u>59,281</u>	<u>74,281</u>	<u>76,744</u>	<u>2,463</u>
Disbursements				
Current:				
Public Works	62,416	77,416	53,805	23,611
Debt Service:				
Principal Retirement	8,273	8,273	8,183	90
Interest and Fiscal Charges	192	192	181	11
<i>Total Disbursements</i>	<u>70,881</u>	<u>85,881</u>	<u>62,169</u>	<u>23,712</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,600)</u>	<u>(11,600)</u>	<u>14,575</u>	<u>17,685</u>
<i>Net Change in Fund Balance</i>	<u>(11,600)</u>	<u>(11,600)</u>	<u>14,575</u>	<u>22,985</u>
<i>Fund Balance Beginning of Year</i>	<u>11,600</u>	<u>11,600</u>	<u>11,600</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,175</u>	<u>\$ 22,985</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis*
Fire District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 16,783	\$ 16,354	\$ 19,587	\$ 3,233
Intergovernmental	1,959	2,387	2,404	17
<i>Total receipts</i>	<u>18,742</u>	<u>18,741</u>	<u>21,991</u>	<u>3,250</u>
Disbursements				
Current:				
Public Safety	15,600	17,700	17,462	238
Public Works	5,000	4,900	736	4,164
<i>Total Disbursements</i>	<u>20,600</u>	<u>22,600</u>	<u>18,198</u>	<u>4,402</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,858)</u>	<u>(3,859)</u>	<u>3,793</u>	<u>7,652</u>
<i>Net Change in Fund Balance</i>	<u>(1,858)</u>	<u>(3,859)</u>	<u>3,793</u>	<u>7,652</u>
<i>Fund Balance Beginning of Year</i>	<u>54,376</u>	<u>54,376</u>	<u>54,376</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 52,518</u>	<u>\$ 50,517</u>	<u>\$ 58,169</u>	<u>\$ 7,652</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund*
For the Year Ended December 31, 2004

	<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	\$ 13,195	\$ 13,195	\$ 13,511	\$ 316
Intergovernmental	14,520	26,591	30,713	4,122
Interest	165	165	187	22
Other	2,600	6,600	172	(6,428)
<i>Total receipts</i>	<u>30,480</u>	<u>46,551</u>	<u>44,583</u>	<u>(1,968)</u>
Disbursements				
Current:				
General Government	29,450	29,540	24,784	4,756
Public Safety	4,390	4,390	4,179	211
Human Services	8,600	12,510	7,022	5,488
<i>Total Disbursements</i>	<u>42,440</u>	<u>46,440</u>	<u>35,985</u>	<u>10,455</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,960)</u>	<u>111</u>	<u>8,598</u>	<u>8,487</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>2,327</u>	<u>2,327</u>
<i>Net Change in Fund Balance</i>	<u>(11,960)</u>	<u>111</u>	<u>10,925</u>	<u>10,814</u>
<i>Fund Balance Beginning of Year</i>	<u>11,960</u>	<u>11,960</u>	<u>11,960</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 12,071</u>	<u>\$ 22,885</u>	<u>\$ 10,814</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Gasoline Tax Fund*
For the Year Ended December 31, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 56,371	\$ 64,431	\$ 67,226	\$ 2,795
Interest	170	170	68	(102)
Miscellaneous	2,200	-	-	-
<i>Total receipts</i>	<u>58,741</u>	<u>64,601</u>	<u>67,294</u>	<u>2,693</u>
Disbursements				
Current:				
Public Works	53,602	53,602	50,555	3,047
Debt Service:				
Principal Retirement	11,723	11,723	11,723	-
Interest and Fiscal Charges	974	974	974	-
<i>Total Disbursements</i>	<u>66,299</u>	<u>66,299</u>	<u>63,252</u>	<u>3,047</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(7,558)</u>	<u>(1,698)</u>	<u>4,042</u>	<u>5,740</u>
<i>Net Change in Fund Balance</i>	<u>(7,558)</u>	<u>(1,698)</u>	<u>4,042</u>	<u>5,740</u>
<i>Fund Balance Beginning of Year</i>	<u>7,558</u>	<u>7,558</u>	<u>7,558</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ 5,860</u>	<u>\$ 11,600</u>	<u>\$ 5,740</u>

See accompanying notes to the basic financial statements

Clay Township, Gallia County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis*
Fire District Fund
For the Year Ended December 31, 2004

	<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	\$ 15,384	\$ 15,384	\$ 15,984	\$ 600
Intergovernmental	1950	1950	1959	9
Interest	61	61	62	1
<i>Total receipts</i>	<u>17,395</u>	<u>17,395</u>	<u>18,005</u>	<u>610</u>
Disbursements				
Current:				
Public Safety	15,600	20,600	15,466	5,134
<i>Total Disbursements</i>	<u>15,600</u>	<u>20,600</u>	<u>15,466</u>	<u>5,134</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,795</u>	<u>(3,205)</u>	<u>2,539</u>	<u>5,744</u>
<i>Net Change in Fund Balance</i>	1,795	(3,205)	2,539	5,744
<i>Fund Balance Beginning of Year</i>	<u>51,837</u>	<u>51,837</u>	<u>51,837</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 53,632</u>	<u>\$ 48,632</u>	<u>\$ 54,376</u>	<u>\$ 5,744</u>

See accompanying notes to the basic financial statements

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

The Clay Township, Gallia County, Ohio (the Township), is a body politic and corporate established in 1830 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 Clerk.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Gallipolis Fire Department for fire protection.

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. There are no component units within the Township.

Note 2 – Summary of Significant Accounting Policies

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

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

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 balance of the governmental activities of the Township at year-end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are recorded 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. Revenues, which are not classified as program receipts, are presented as general receipts of the Township, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general receipts of the Township.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax and Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (Continued)

Gasoline Tax – This fund accounts for gasoline tax receipts and their use as they pertain to the Township's roads.

Fire District – This primary purpose of this fund is to expend resources for fire protection.

Other governmental funds of the Township are used to account for taxes and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

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

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 Board of Trustees may appropriate.

The appropriations resolution is the Township's Board of Trustees' authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Township Board of Trustees. The legal level of control has been established at the fund, function & object in prior year.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. 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 certificate of estimated resources in effect at the time final appropriations were passed by the Township Board of Trustees.

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

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase 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 (contra revenue), respectively.

During 2005 and 2004, the Township had no investments.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 and 2004 were \$316 and \$187 respectively.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There were no restricted assets at year-end.

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. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

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

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

K. 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. 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 public safety, public works, health and human 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.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances. There were no outstanding encumbrances at December 31, 2005 and 2004.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

(Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. There were no such activities for the year.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

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

In the prior audit, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has 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.

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 all major Special Revenue funds is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. Since encumbrances outstanding at year-end are canceled and re-appropriated in the succeeding year there is essentially no difference between cash and budget basis reporting.

Note 5 – Accountability and Compliance

For fiscal year 2005, the Township has implemented GASB Statement No. 40, “Deposits and Investment Risk Disclosures” .

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Township.

Note 6 – 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.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 – Deposits and Investments (Continued)

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

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

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 – Deposits and Investments (Continued)

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, 2005, \$35,641 of the Township's bank balance of \$135,641 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, while \$100,000 was covered by Federal Deposit Insurance Corporation.

At December 31, 2004 all of the bank balance of \$94,020.64 was covered by Federal Deposit Insurance Corporation and wasn't exposed to custodial credit risk.

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.

Note 7 – 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2003, were levied after October 1, 2004, 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.

Tangible personal property tax receipts in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2003. 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.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 7 – Property Taxes (Continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

Real Property,	
Residential	\$12,087,710
Agriculture	3,542,030
Commercial/Industrial/Mineral	174,570
Public Utility Property	
Real	15,784,310
Personal	101,310
Tangible Personal Property	931,430
Total Assessed Value	<hr/> <u>\$32,621,300</u>

Note 8 – Risk Management

Risk Pool Membership

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

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 8 – Risk Management (Continued)

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

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:

Casualty Coverage	2004	2003
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$ 17,046,241</u>	<u>\$ 16,000,923</u>

Property Coverage	2004	2003
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$ 7,045,167</u>	<u>\$ 6,040,104</u>

Note 9—Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

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.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9– Defined Benefit Pension Plan (Continued)

For the year ended December 31, 2005 the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. 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, 2005 2004 and 2003 were \$3,992, \$3,597, and \$3,395 respectively; these contributions were sufficient to fulfill the requirements.

Note 10- Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, “Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers”. 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 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 4.00% of covered payroll was the portion that was used to fund health care.

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, 2004, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$82,307. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

Clay Township
Notes to the Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 10- Postemployment Benefits (continued)

In December 2001, the Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2004, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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 skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

Note 11– Contingent Liabilities

The Township is currently not involved in litigation.

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Ohio Society of Certified Public Accountants

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

Board of Trustees
Clay Township
Gallia County, Ohio
11126 State Route 7 South
Gallipolis, OH 45631

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio (the "Township") as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's financial statements and have issued our report thereon dated June 19, 2006 wherein we noted the Township prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted that the Township implemented GASB Statements No. 38 and 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*

Clay Township
Gallia County

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
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Government Auditing Standards
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This report is intended solely for the information and use of the management and the Board of Trustees, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Balestra, Harr & Scherer". The signature is cursive and appears to be a professional or corporate name.

Balestra, Harr & Scherer, CPAs, Inc.

June 19, 2006



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
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CLAY TOWNSHIP

GALLIA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 19, 2006**