



Mary Taylor, CPA
Auditor of State

CLAY TOWNSHIP
SCIOTO COUNTY

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Mary Taylor, CPA
Auditor of State

Clay Township
Scioto County
1440 Normandy Drive
Portsmouth, Ohio 45662

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 17, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clay Township
Scioto County
1440 Normandy Drive
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited the accompanying financial statements of Clay Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Clay Township, Scioto County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 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.



Mary Taylor, CPA
Auditor of State

July 17, 2008

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$134,425	\$484,536	\$618,961
Charges for Services	15,533	25,507	41,040
Licenses, Permits, and Fees	39,558	4,450	44,008
Intergovernmental	83,549	193,595	277,144
Earnings on Investments	2,219	397	2,616
Miscellaneous	8,299	16,756	25,055
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	283,583	725,241	1,008,824
Cash Disbursements:			
Current:			
General Government	129,924	19,527	149,451
Public Safety	14,958	262,496	277,454
Public Works	5,755	274,322	280,077
Health	47,181	8,490	55,671
Conservation/Recreation	44,014		44,014
Capital Outlay	161	82,587	82,748
Debt Service:			
Redemption of Principal		52,288	52,288
Interest and Other Fiscal Charges		3,600	3,600
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	241,993	703,310	945,303
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	41,590	21,931	63,521
Other Financing Receipts / (Disbursements):			
Transfers-In		13,000	13,000
Transfers-Out	(13,000)		(13,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(13,000)	13,000	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	28,590	34,931	63,521
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	31,739	222,812	254,551
Fund Cash Balances, December 31	<hr/> \$60,329 <hr/>	<hr/> \$257,743 <hr/>	<hr/> \$318,072 <hr/>
Reserve for Encumbrances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$0	\$381	\$381

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

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$125,456	\$487,066	\$612,522
Charges for Services	13,374		13,374
Licenses, Permits, and Fees	38,019	4,400	42,419
Intergovernmental	58,467	174,385	232,852
Earnings on Investments	2,288	54	2,342
Miscellaneous	7,082	11,052	18,134
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	244,686	676,957	921,643
Cash Disbursements:			
Current:			
General Government	140,285	19,629	159,914
Public Safety		295,774	295,774
Public Works	13,038	209,829	222,867
Health	37,436	8,813	46,249
Conservation/Recreation	46,776		46,776
Capital Outlay	9,501	25,655	35,156
Debt Service:			
Redemption of Principal	1,725	48,175	49,900
Interest and Other Fiscal Charges	524	9,387	9,911
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	249,285	617,262	866,547
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>
	(4,599)	59,695	55,096
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	10,000		10,000
Advances-In	1,200	1,200	2,400
Advances-Out	(1,200)	(1,200)	(2,400)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	10,000	0	10,000
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	5,401	59,695	65,096
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	26,338	163,117	189,455
Fund Cash Balances, December 31	<hr/> \$31,739 <hr/>	<hr/> \$222,812 <hr/>	<hr/> \$254,551 <hr/>
Reserve for Encumbrances, December 31	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$0	\$381	\$381

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

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clay Township, Scioto County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and emergency medical services and fire protection. The Township contracts with the Scioto County Sheriff's Department to provide police protection.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

CLAY TOWNSHIP
SCIOTO COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

C. **Fund Accounting (Continued)**

2. **Special Revenue Funds (Continued)**

Police District Fund - This fund receives property tax money for the purpose of contracting with the Scioto County Sheriff's Department for police protection for the residents of the Township.

Fire District Fund - This fund receives property tax money for the purchase of fire equipment and to provide fire protection to residents of the Township.

Ambulance Fund - This fund receives property tax money for the purchase of ambulance equipment and to provide emergency medical services to residents of the Township.

D. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

E. **Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash

The Township maintains a cash pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2007	2006
Demand deposits	\$318,072	\$254,551

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$247,090	\$283,583	\$36,493
Special Revenue	747,759	738,241	(9,518)
Total	\$994,849	\$1,021,824	\$26,975

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$278,691	\$254,993	\$23,698
Special Revenue	964,556	703,691	260,865
Total	\$1,243,247	\$958,684	\$284,563

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$242,773	\$255,886	\$13,113
Special Revenue	745,914	678,157	(67,757)
Total	\$988,687	\$934,043	(\$54,644)

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$269,111	\$250,485	\$18,626
Special Revenue	909,412	618,843	290,569
Total	\$1,178,523	\$869,328	\$309,195

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. Leases

Leases outstanding at December 31, 2007 were as follows:

	Principal	Interest Rate
Tractor/Mower Lease	\$9,539	4.90%
Backhoe Lease	31,736	4.64%
Fire Truck Lease	237,681	5.11%
Ambulance Lease	34,151	6.90%
Total	\$313,107	

The Township entered into a lease/purchase agreement with Kansas State Bank on September 19, 2003 for the lease of a tractor/mower. The Township is scheduled to make annual payments in the amount of \$9,949.58, which includes interest, through September 19, 2008 at which time the Township will own the tractor/mower.

The Township entered into a lease/purchase agreement with Kansas State Bank on April 28, 2005 for the lease of a backhoe. The Township is scheduled to make annual payments in the amount of \$11,575.38, which includes interest, through April 28, 2010 at which time the Township will own the backhoe.

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Leases (Continued)

The Township entered into a lease/purchase agreement with Republic First National Corporation on January 9, 2007 for the lease of a fire truck. The Township is scheduled to make a payment of \$50,000, which includes interest, on March 1, 2008. Beginning March 1, 2009, the Township is scheduled to make annual payments in the amount of \$26,272.21, which includes interest, through March 1, 2018 at which time the Township will own the fire truck.

The Township entered into a lease/purchase agreement with Republic First National Corporation on February 24, 2007 for the lease of an ambulance. The Township is scheduled to make annual payments in the amount of \$18,885.38, which includes interest, through February 1, 2009 at which time the Township will own the ambulance.

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

Year ending December 31:	Principal	Interest	Total
2008	\$72,018	\$18,391	\$90,409
2009	44,161	12,572	56,733
2010	27,845	10,002	37,847
2011	17,640	8,632	26,272
2012	18,541	7,731	26,272
2013-2017	107,906	23,454	131,360
2018	24,996	1,276	26,272
Total	<u>\$313,107</u>	<u>\$82,058</u>	<u>\$395,165</u>

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
1999 Fire Truck Note	\$18,889	6.12%
2003 Fire Truck Note	33,857	4.12%
2005 Cemetery Land Acquisition Bond	27,600	5.11%
Total	<u>\$80,346</u>	

The 1999 fire truck note was issued to finance the purchase of a fire truck and equipment to be used for the citizens of the Township. The debt is collateralized by the fire truck. The 2003 fire truck note was issued to finance the purchase of a fire truck and equipment to be used for the citizens of the Township. The debt was collateralized by the fire truck. The 2005 cemetery land acquisition bond was issued for cemetery expansion to be used by the citizens of the Township. The bond was collateralized by the land.

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt (Continued)

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

Year ending December 31:	Cemetery Land Bond	Fire Truck Notes	Total
2008	\$4,816	\$31,570	\$36,386
2009	4,640	12,216	16,856
2010	4,464	11,751	16,215
2011	4,288		4,288
2012	4,112		4,112
2013-2015	11,274		11,274
Total	<u>\$33,594</u>	<u>\$55,537</u>	<u>\$89,131</u>

7. Retirement System

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

8. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

The Township also provides health coverage to elected officials and full time employees through a private carrier.

9. Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**CLAY TOWNSHIP
SCIOTO COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

10. Lodging Excise Tax

The Township has assessed a lodging excise tax for all hotels/motels within the Township. The assessed tax rate as adopted by the Board of Trustees is four percent of gross lodging revenue for the month. The taxes are due on or before the fifteenth day of each month for the previous month's lodging revenue.

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Mary Taylor, CPA

Auditor of State

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

Clay Township
Scioto County
1440 Normandy Drive
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited the financial statements of Clay Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 17, 2008 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.01 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified 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.

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We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 17, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-001.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated July 17, 2008.

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



Mary Taylor, CPA
Auditor of State

July 17, 2008

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

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

Finding Number 2007-001

Noncompliance Citation

Ohio Rev. Code Section 505.37 states, in part, that a township may guard against the occurrence of fire, may protect the property and lives of the citizens against damage, and may purchase the necessary fire equipment. Ohio Rev. Code Section 505.42 states, in part, that a board of township trustees may enter into contracts for the purposes set forth in section 505.37, but must comply with the competitive bidding procedures found in Ohio Rev. Code Sections 741.14 - .16. Ohio Rev. Code Section 731.14 requires competitive bidding where an expenditure for equipment exceeds twenty-five thousand dollars.

On December 12, 2006, the Board of Trustees approved the purchase of a new fire truck at a cost of \$237,681. However, the Board of Trustees did not formally approve a resolution in the minutes to enter into a lease-purchase agreement with Republic National Bank. The lease-purchase agreement between the Republic National Bank and the Township, signed on January 9, 2007, states that the Township is duly authorized to execute and deliver this agreement under the terms and provisions of the resolution of its governing body and further covenants and warrants that all requirements have been met, and procedures have occurred in order to ensure the enforceability of this agreement; and the Township has complied with such public bidding requirements as may be applicable to this agreement and the acquisition by the Township. Although the Township had the authority to purchase the fire truck, the Township failed to competitively bid the purchase as required in the aforementioned statutes.

We recommend the Board of Trustees formally approve all lease-purchase agreements in the minutes along with the terms of the agreements. We further recommend the Board of Trustees competitively bid all fire-related purchases in accordance with Ohio Rev. Code Section 505.37.

Finding Number 2007-002

Significant Deficiency - Financial Reporting

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements for that required audit adjustment or reclassification:

- * In 2006, a principal payment totaling \$30,175 and interest totaling \$5,837 were misposted as Capital Outlay in the Fire Fund.
- * In 2006 and 2007, homestead and rollback, personal property tax exemption reimbursement and public utilities deregulation monies were posted as Taxes in the Road and Bridge Fund, Police District Fund, Fire Fund and Ambulance Fund instead of as Intergovernmental Receipts.
- * In 2006, the sale of property for \$10,000 was posted as Miscellaneous instead of Sale of Assets in the General Fund.
- * In 2007, receipts from squad billings were posted as Miscellaneous receipts instead of Charges for Services in the Ambulance Fund.

CLAY TOWNSHIP
SCIOTO COUNTY

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

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

Finding Number 2007-002 (Continued)

Significant Deficiency - Financial Reporting (Continued)

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, we recommend the Township adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer or Board of Trustees, to identify and correct errors or omissions.

Finding Number 2007-003

Significant Deficiency - Financial Monitoring

Sound internal control policies require management and the Board of Trustees to monitor the financial activity of the Township. Actual revenues and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Board of Township Trustees. The Board of Trustees should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to fair management about the reasons. Additionally, townships should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Township should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance.

There was no documentation of the extent to which the Board of Trustees used financial information to monitor the financial activity of the Township. The lack of financial information provided to the Board of Trustees for review each month hampered the Board of Trustees' ability to effectively monitor the financial activity and position of the Township. For each regular Board of Trustees' meeting, the Fiscal Officer should provide a detailed budget and financial statements, lists of investments, cash balances and checks paid.

We recommend the Board of Trustees carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township. This information can help answer questions such as the following:

Inquiries Relevant to Overall Township Operations:

- * Are current receipts sufficient to cover expenditures?
- * Are expenditures in line with prior year costs?
- * If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- * Are anticipated receipts being timely received?
- * Is the Township maximizing its return on invested cash balances?
- * Is the Township able to achieve the financial goals as set by the original or amended budgets?

**CLAY TOWNSHIP
SCIOTO COUNTY**

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

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

Finding Number 2007-003 (Continued)

Significant Deficiency - Financial Monitoring (Continued)

In order to effectively monitor the financial activity of the Township, we also recommend the Board of Trustees accept/approve the monthly financial information provided by the Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Board of Trustees.

Officials' Response:

We did not receive a response from Officials to the findings reported above.



Mary Taylor, CPA
Auditor of State

CLAY TOWNSHIP

SCIOTO 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
AUGUST 14, 2008**