



**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF CLAY CENTER
OTTAWA COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Clay Center
Ottawa County
420 Main Street, PO Box 52
Clay Center, Ohio 43408-0052

To the Village Council:

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 20, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Clay Center
Ottawa County
420 Main Street, PO Box 52
Clay Center, Ohio 43408-0052

To the Village Council:

We have audited the accompanying financial statements of the Village of Clay Center, Ottawa County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village'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 Village 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 Village 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 Village 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 Village's larger (i.e. major) funds separately. While the

Village 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 villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Clay Center, Ottawa County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village 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 May 20, 2010, on our consideration of the Village'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

May 20, 2010

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$8,313			\$8,313
Municipal Income Tax		\$70,572		70,572
Intergovernmental	26,412	19,262		45,674
Special Assessments	2,405			2,405
Charges for Services	4,301			4,301
Fines, Licenses and Permits	935			935
Earnings on Investments	579	85		664
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	42,945	89,919		132,864
Cash Disbursements:				
Current:				
Security of Persons and Property	11,182	720		11,902
Public Health Services	917			917
Leisure Time Activities	3,508			3,508
Basic Utility Service	21,688			21,688
Transportation	7,488	15,810		23,298
General Government	31,192	7,574		38,766
Debt Service:				
Redemption of Principal			\$20,717	20,717
Interest and Fiscal Charges			533	533
Capital Outlay			4,900	4,900
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	75,975	24,104	26,150	126,229
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(33,030)	65,815	(26,150)	6,635
Other Financing Receipts / (Disbursements):				
Sale of Fixed Assets	35			35
Transfers-In	25,000		25,000	50,000
Transfers-Out		(50,000)		(50,000)
Other Financing Sources			11,118	11,118
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	25,035	(50,000)	36,118	11,153
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(7,995)	15,815	9,968	17,788
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	148,095	49,848	34,839	232,782
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$140,100	\$65,663	\$44,807	\$250,570

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

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$6,225	\$47		\$6,272
Municipal Income Tax		58,798		58,798
Intergovernmental	29,642	24,178		53,820
Charges for Services	4,301			4,301
Fines, Licenses and Permits	943			943
Earnings on Investments	3,870	375		4,245
	<u>44,981</u>	<u>83,398</u>		<u>128,379</u>
Total Cash Receipts				
	<u>44,981</u>	<u>83,398</u>		<u>128,379</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	11,140	1,550		12,690
Public Health Services	1,258			1,258
Leisure Time Activities	2,383			2,383
Community Environment	23			23
Basic Utility Service	20,829			20,829
Transportation	5,175	5,924		11,099
General Government	42,681	15,482		58,163
Debt Service:				
Redemption of Principal			\$20,503	20,503
Interest and Fiscal Charges			747	747
Capital Outlay			10,874	10,874
	<u>83,489</u>	<u>22,956</u>	<u>32,124</u>	<u>138,569</u>
Total Cash Disbursements				
	<u>83,489</u>	<u>22,956</u>	<u>32,124</u>	<u>138,569</u>
Total Receipts Over/(Under) Disbursements	<u>(38,508)</u>	<u>60,442</u>	<u>(32,124)</u>	<u>(10,190)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In	55,000	410	55,000	110,410
Transfers-Out	(410)	(110,000)		(110,410)
Advances-In	12,716			12,716
Advances-Out			(12,716)	(12,716)
Other Financing Sources	3,002		5,559	8,561
	<u>70,308</u>	<u>(109,590)</u>	<u>47,843</u>	<u>8,561</u>
Total Other Financing Receipts / (Disbursements)				
	<u>70,308</u>	<u>(109,590)</u>	<u>47,843</u>	<u>8,561</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	31,800	(49,148)	15,719	(1,629)
Fund Cash Balances, January 1	<u>116,295</u>	<u>98,996</u>	<u>19,120</u>	<u>234,411</u>
Fund Cash Balances, December 31	<u>\$148,095</u>	<u>\$49,848</u>	<u>\$34,839</u>	<u>\$232,782</u>

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

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 the Village of Clay Center, Ottawa County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government service including park operations and police services. Fire protection and emergency medical services are provided by the Allen-Clay Joint Fire District which includes the Village.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entities Pool of Ohio (the "Pool"):

The pool provides property and casualty insurance to its members.

The Village's management believes these financial statements present all activities for which the Village 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 Village 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. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Amounts in STAR Ohio are recorded at share values the mutual fund report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village 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.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant special revenue funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Income Tax Fund - This fund receives revenue from an income tax levied by the Village. The fund accounts for the expenses of collecting the tax and the net proceeds are allocated equally to the General Fund and the Capital Projects Fund.

3. Capital Project Fund

These funds account for receipts restricted to acquiring or constructing major capital projects. The Village had the following significant capital project fund:

Capital Projects Fund - This fund receives a portion of the Village Income Tax used to finance major capital projects.

E. 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2009	2008
Demand deposits	\$127,504	\$85,096
STAR Ohio	123,066	147,686
Total deposits and investments	\$250,570	\$232,782

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,000	\$67,980	(\$7,020)
Special Revenue	67,758	89,919	22,161
Capital Projects	38,618	36,118	(2,500)
Total	\$181,376	\$194,017	\$12,641

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$123,100	\$75,975	\$47,125
Special Revenue	89,661	74,104	15,557
Capital Projects	46,250	26,150	20,100
Total	\$259,011	\$176,229	\$82,782

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,000	\$102,983	(\$10,017)
Special Revenue	86,170	83,808	(2,362)
Capital Projects	39,000	60,559	21,559
Total	\$238,170	\$247,350	\$9,180

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,314	\$83,899	\$5,415
Special Revenue	90,977	132,956	(41,979)
Capital Projects	43,200	32,124	11,076
Total	\$223,491	\$248,979	(\$25,488)

Contrary to Ohio law, expenditures exceeded appropriations in the Income Tax fund in 2008 by \$49,956.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council 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 Village.

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 Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. DEBT

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan - Sanitary	\$166,761	0%
Ohio Public Works Commission Loan - Roads	\$23,178	0%
Genoa Board of Education Note	6,888	4.5%
Total	\$196,827	

In 2004, the Village received two interest free loans from the Ohio Public Works Commission. The \$222,352 loan was for sanitary sewer improvements. The \$46,353 loan was for Williams, Susan, and Third Street resurfacing and repair. The Village will repay the \$222,352 loan in semiannual installments of \$5,559 over 20 years. The Village will repay the \$46,353 loan in semiannual installments of \$2,318 over 10 years. The loan is repaid from the Capital Projects Fund.

The Village has a loan with the Genoa Board of Education for the purchase of land. The Village will repay the loan in annual installments of \$5,498, including interest over 10 years. The loan is repaid from the Capital Projects Fund.

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

	OPWC Loan - Sanitary	OPWC Loan - Roads	Genoa Board of Education Note
Year ending December 31:			
2010	11,118	4,636	5,498
2011	11,117	4,635	1,700
2012	11,118	4,636	
2013	11,117	4,635	
2014	11,118	4,636	
2015 - 2019	55,587		
2020 - 2024	55,586		
Total	\$166,761	\$23,178	\$7,198

7. RETIREMENT SYSTEM

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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

Financial Position

PEP'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, 2008 and 2007 (the latest information available):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. RISK MANAGEMENT (Continued)

related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$8,000.

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

<u>Contributions to PEP</u>	
2008	\$8,217
2009	\$8,737

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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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**

Village of Clay Center
Ottawa County
420 Main Street, PO Box 52
Clay Center, Ohio 43408-0052

To the Village Council:

We have audited the financial statements of the Village of Clay Center, Ottawa County (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 20, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village 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 Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Village'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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 20, 2010.

We intend this report solely for the information and use of management, the audit committee, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 20, 2010

VILLAGE OF CLAY CENTER
OTTAWA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been properly appropriated.

As of December 31, 2008, the Income Tax fund's expenditures of \$117,611 exceeded appropriations by \$49,956.

Management was advised that the failure to have adequate appropriations in place at the time the expenditures are made could result in expenditures exceeding available resources, further resulting in deficit spending practices.

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response:

We did not receive a response from Officials to this finding.

**VILLAGE OF CLAY CENTER
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code § 5705.41(B) for making expenditures in excess of appropriations.	No	Not corrected and reissued in this audit as finding 2009-001.
2007-002	Ohio Revised Code § 5705.10 (D) for posting receipts to the wrong funds	Yes	
2007-003	Ohio Revised Code § 5705.10(H) for spending money out of the Street Fund for an unallowable purpose.	Yes	
2007-004	Ohio Revised Code § 5705.41(D)(1) for not certifying all expenditures.	No	Improvement noted and reissued in this audit in the management letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF CLAY CENTER

OTTAWA 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
JUNE 3, 2010