

Clay Township
Scioto County
Regular Audit
For the Years Ended December 31, 2017 and 2016



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Dave Yost • Auditor of State

Board of Trustees
Clay Township
1440 Normandy Ave
Portsmouth, OH 45662

We have reviewed the *Independent Auditor's Report* of Clay Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2017. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 11, 2018

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Clay Township
Scioto County
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For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Trustees
Clay Township
Scioto County
1440 Normandy Drive
Portsmouth, Ohio 45662

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Clay Township, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Clay Township, Scioto County, as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 1, 2018

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, 2017

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$112,865	\$749,651	\$0	\$862,516
Charges for Services	0	110,249	0	110,249
Licenses, Permits, and Fees	44,726	8,800	0	53,526
Intergovernmental	41,778	232,092	0	273,870
Earnings on Investments	841	26	0	867
Miscellaneous	4,978	16,429	0	21,407
Total Cash Receipts	205,188	1,117,247	0	1,322,435
Cash Disbursements:				
Current:				
General Government	149,755	0	0	149,755
Public Safety	0	444,696	0	444,696
Public Works	0	333,917	0	333,917
Health	33,511	6,260	0	39,771
Conservation/Recreation	10,036	0	0	10,036
Capital Outlay	0	146,487	88,000	234,487
Debt Service:				
Redemption of Principal	0	109,284	0	109,284
Interest and Other Fiscal Charges	0	15,385	0	15,385
Total Cash Disbursements	193,302	1,056,029	88,000	1,337,331
Total Cash Receipts Over (Under) Cash Disbursements	11,886	61,218	(88,000)	(14,896)
Other Financing Receipts:				
Sale of Capital Assets	0	0	30,000	30,000
Total Other Financing Receipts	0	0	30,000	30,000
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	11,886	61,218	(58,000)	15,104
Fund Cash Balances, January 1	19,098	566,249	89,774	675,121
Nonspendable:				
Unclaimed Monies	556	0	0	556
Restricted for:				
Motor Vehicle License Tax	0	5,839	0	5,839
Gasoline Tax	0	26,082	0	26,082
Cemetery	0	27,635	0	27,635
Police	0	107,902	0	107,902
Fire	0	222,085	0	222,085
Ambulance and EMS	0	161,633	0	161,633
Capital Projects	0	0	31,774	31,774
Committed to:				
Road and Bridge Maintenance and Improvements	0	76,291	0	76,291
Unassigned	30,428	0	0	30,428
Fund Cash Balances, December 31	\$30,984	\$627,467	\$31,774	\$690,225

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

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting 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 general road and bridge services, including 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits

The Township maintains its deposits pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant special revenue funds:

Road and Bridge Fund – This fund receives property tax monies and homestead and rollback monies for constructing, maintaining, and repairing Township roads and bridges.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Police District Fund – This fund receives property tax monies and homestead and rollback monies 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 monies and homestead and rollback monies for the purchase of fire equipment and to provide fire protection to residents of the Township.

Ambulance Fund – This fund receives property tax monies, homestead and rollback monies, and charges for services for the purchase of ambulance equipment and to provide emergency medical services to residents of the Township.

Capital Project Funds – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following capital project fund:

Miscellaneous Capital Project Fund - The Township received bond proceeds for the acquisition and/or construction of a new administrative building. This fund accounts for the receipt and use of those proceeds.

Budgetary Process

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

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. Unencumbered appropriations lapse at year-end.

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 approve estimated resources.

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 the 2017 budgetary activity appears in Note 4.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Committed – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Capital Assets

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

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.

Note 3 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand Deposits	\$690,225
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Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$217,885	\$205,188	(\$12,697)
Special Revenue	965,695	1,117,247	151,552
Capital Projects	0	30,000	30,000
Total	\$1,183,580	\$1,352,435	\$168,855

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$229,300	\$193,302	\$35,998
Special Revenue	1,262,500	1,056,029	206,471
Capital Projects	75,000	88,000	(13,000)
Total	\$1,566,800	\$1,337,331	\$229,469

Note 5 – Taxes

Property Taxes

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.

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

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.

Note 6 – Debt Obligations

Debt obligations outstanding at December 31, 2017 were as follows:

	Principal	Interest Rate
Fire Truck Lease Purchase	\$24,996	5.11%
Building Acquisition Bonds	386,212	2.80%
Total	\$411,208	

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 annual payments in the amount of \$26,272, which includes interest, through March 1, 2018 at which time the Township will own the fire truck.

The Township issued a \$500,000 building acquisition general obligation bond on July 22, 2013 for the purpose of acquiring and constructing an administrative building. The Township is scheduled to make annual principal and semi-annual interest payments commencing December 1, 2013. This bond carries an interest rate of 2.80% and has a final maturity date of June 1, 2023, which will be a balloon payment of the remaining principal balance as of that date.

The Township entered into a loan agreement with Glockner Finance on November 12, 2015 for the purpose of purchasing a dump truck. The Township is scheduled to make monthly payments in the amount of \$5,230, which includes interest, through November 17, 2017. This loan was repaid in full during 2017.

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

Year ending December 31:	Fire Truck Lease Purchase	Building Acquisition Bond
2018	\$26,272	\$40,853
2019	0	40,841
2020	0	40,829
2021	0	40,816
2022	0	40,803
2023	0	230,262
Total	\$26,272	\$434,404

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

The Township’s employees and officials 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributed 2 percent of the employer contribution to fund these benefits during calendar year 2016 and 1 percent during calendar year 2017.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 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.

Note 9 – Contingent Liabilities

Grants

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.

Litigation

The Township is not currently party to legal proceedings.

Note 10 – Compliance

The Township had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

The Township had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41B.

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, 2016

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$110,594	\$730,400	\$0	\$840,994
Charges for Services	0	58,233	0	58,233
Licenses, Permits, and Fees	46,402	6,776	0	53,178
Intergovernmental	42,270	167,824	0	210,094
Earnings on Investments	581	55	0	636
Miscellaneous	2,828	10,987	0	13,815
Total Cash Receipts	202,675	974,275	0	1,176,950
Cash Disbursements:				
Current:				
General Government	163,843	0	0	163,843
Public Safety	0	380,606	0	380,606
Public Works	0	381,173	0	381,173
Health	35,498	3,726	0	39,224
Conservation/Recreation	10,137	0	0	10,137
Capital Outlay	0	48,028	47,521	95,549
Debt Service:				
Redemption of Principal	0	109,056	0	109,056
Interest and Other Fiscal Charges	0	20,850	0	20,850
Total Cash Disbursements	209,478	943,439	47,521	1,200,438
Total Cash Receipts Over (Under) Cash Disbursements	(6,803)	30,836	(47,521)	(23,488)
Other Financing Receipts:				
Sale of Capital Assets	0	0	1,151	1,151
Total Other Financing Receipts	0	0	1,151	1,151
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(6,803)	30,836	(46,370)	(22,337)
Fund Cash Balances, January 1	25,901	535,413	136,144	697,458
Nonspendable:				
Unclaimed Monies	556	0	0	556
Assigned for budget deficit	11,550	0	0	11,550
Restricted for:				
Motor Vehicle License Tax	0	18,705	0	18,705
Cemetery	0	25,095	0	25,095
Police	0	108,665	0	108,665
Fire	0	220,376	0	220,376
Ambulance and EMS	0	132,860	0	132,860
Capital Projects	0	0	89,774	89,774
Committed to:				
Road and Bridge Maintenance and Improvements	0	61,568	0	61,568
Unassigned/(Deficit)	6,992	(1,020)	0	5,972
Fund Cash Balances, December 31	\$19,098	\$566,249	\$89,774	\$675,121

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

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting 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 general road and bridge services, including 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Deposits

The Township maintains its deposits pool in an interest-bearing checking account with a local commercial bank.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund – The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant special revenue funds:

Road and Bridge Fund – This fund receives property tax monies and homestead and rollback monies for constructing, maintaining, and repairing Township roads and bridges.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Police District Fund – This fund receives property tax monies and homestead and rollback monies 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 monies and homestead and rollback monies for the purchase of fire equipment and to provide fire protection to residents of the Township.

Ambulance Fund – This fund receives property tax monies, homestead and rollback monies, and charges for services for the purchase of ambulance equipment and to provide emergency medical services to residents of the Township.

Capital Project Funds – These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following capital project fund:

Miscellaneous Capital Project Fund - The Township received bond proceeds for the acquisition and/or construction of a new administrative building. This fund accounts for the receipt and use of those proceeds.

Budgetary Process

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

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. Appropriations lapse at year-end.

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

Encumbrances – The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are cancelled, and re-appropriated in the subsequent year.

A summary of the 2016 budgetary activity appears in Note 4.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted – Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Committed – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Capital Assets

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

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.

Note 3 – Deposits

The Township maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand Deposits	\$675,121
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Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$218,142	\$202,675	(\$15,467)
Special Revenue	903,650	974,275	70,625
Capital Projects	0	1,151	1,151
Total	\$1,121,792	\$1,178,101	\$56,309

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$241,491	\$209,478	\$32,013
Special Revenue	1,361,320	943,439	417,881
Capital Projects	50,000	47,521	2,479
Total	\$1,652,811	\$1,200,438	\$452,373

Note 5 – Taxes

Property Taxes

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.

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

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.

Note 6 – Debt Obligations

Debt obligations outstanding at December 31, 2016 were as follows:

	Principal	Interest Rate
Fire Truck Lease Purchase	\$48,778	5.11%
Building Acquisition Bonds	415,848	2.80%
Dump Truck Loan	55,866	5.89%
Total	\$520,492	

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 annual payments in the amount of \$26,272, which includes interest, through March 1, 2018 at which time the Township will own the fire truck.

The Township issued a \$500,000 building acquisition general obligation bond on July 22, 2013 for the purpose of acquiring and constructing an administrative building. The Township is scheduled to make annual principal and semi-annual interest payments commencing December 1, 2013. This bond carries an interest rate of 2.80% and has a final maturity date of June 1, 2023, which will be a balloon payment of the remaining principal balance as of that date.

The Township entered into a loan agreement with Glockner Finance on November 12, 2015 for the purpose of purchasing a dump truck. The Township is scheduled to make monthly payments in the amount of \$5,230, which includes interest, through November 17, 2017.

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

Year ending December 31:	Fire Truck Lease Purchase	Building Acquisition Bond	Dump Truck Loan
2017	\$26,272	\$40,865	\$57,525
2018	26,272	40,853	0
2019	0	40,841	0
2020	0	40,829	0
2021	0	40,816	0
2022-2023	0	271,065	0
Total	\$52,544	\$475,269	\$57,525

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

The Township’s employees and officials 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 postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Clay Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 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.

Note 9 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustments 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.

Litigation

The Township is not currently party to legal proceedings.

Note 10 – Compliance

The Township had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

The Township had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41B.

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*

Independent Auditor's Report

Board of Trustees
Clay Township
Scioto County
1440 Normandy Drive
Portsmouth, Ohio 45662

We have audited 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, the financial statements of Clay Township, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002 that we consider to be material weaknesses.

Clay Township
Scioto County

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*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-003 and 2017-004.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 1, 2018

Clay Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding Number 2017-001

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified and misposted various transactions in 2016 and 2017. These errors were corrected in the accompanying financial statements. The Township should implement additional monitoring procedures over financial reporting to ensure the accuracy and completeness of the financial statements.

Client Response:

The Township chose not to respond.

Finding Number 2017-002

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the organization's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Budgetary items were entered into the accounting system that did not agree to the budgetary information filed with the County Auditor in 2016 and 2017. The Township should implement the appropriate procedures to ensure that all authorized budgetary amendments are properly documented and reconciled periodically to ensure that budgetary information disclosed in the financial records are adequately supported and properly authorized.

Client Response:

The Township chose not to respond.

Finding Number 2017-003

Material Noncompliance – Appropriations Exceed Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. During our testing we noted instances in 2016 and 2017 where appropriations exceeded resources.

The Township should implement budgetary monitoring procedures to ensure that funds are properly and timely appropriated within the limitations of estimated resources.

Client Response:

The Township chose not to respond.

Clay Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Finding Number 2017-004

Material Noncompliance – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2017 and 2016, the Township had expenditures in excess of appropriations in various funds. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

Client Response:

The Township chose not to respond.

**Clay Township
Scioto County**

*Schedule of Prior Audit Findings
For the Years Ended December 31, 2017 and 2016*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2015-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2017-001
2015-002	Significant Deficiency – EMS Billings	Yes	
2015-003	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2017-002
2015-004	Material Noncompliance – Ohio Revised Code Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2017-003
2015-005	Material Noncompliance – Ohio Revised Code Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued in Management Letter
2015-006	Material Noncompliance – Ohio Revised Code Section 5705.38(A) – Annual Appropriations	Yes	

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Dave Yost • 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
JULY 24, 2018