



OHIO AUDITOR OF STATE  
**KEITH FABER**





CLAY TOWNSHIP  
SCIOTO COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For Year Ended December 31, 2019.....	3
Notes to the Financial Statement For Year Ended December 31, 2019 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For Year Ended December 31, 2018.....	13
Notes to the Financial Statements For Year Ended December 31, 2018 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings.....	25
Summary Schedule of Prior Audit Findings (Prepared by Management).....	27

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT

Clay Township  
Scioto County  
1440 Normandy Avenue  
Portsmouth, Ohio 45662

To the Board of Trustees:

### ***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 the Clay Township, Scioto County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018.

### ***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, 2019 and 2018, 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 the Clay Township, Scioto County as of December 31, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2020, 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 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.



Keith Faber  
Auditor of State

Columbus, Ohio

June 18, 2020

**Clay Township**  
*Scioto County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2019*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$133,772	\$899,589	\$0	\$1,033,361
Charges for Services	\$0	98,104	0	98,104
Licenses, Permits and Fees	45,316	15,351	0	60,667
Intergovernmental	36,471	229,898	0	266,369
Earnings on Investments	8,078	296	0	8,374
Miscellaneous	4,207	23,631	0	27,838
<i>Total Cash Receipts</i>	<u>227,844</u>	<u>1,266,869</u>	<u>0</u>	<u>1,494,713</u>
<b>Cash Disbursements</b>				
Current:				
General Government	192,194	28,803	0	220,997
Public Safety	0	431,785	0	431,785
Public Works	0	391,885	0	391,885
Health	0	6,630	0	6,630
Human Services		8,406	0	8,406
Conservation-Recreation	9,805	0	0	9,805
Capital Outlay	0	536,788	2,122	538,910
Debt Service:				0
Principal Retirement	0	58,900	0	58,900
Interest and Fiscal Charges	0	20,247	0	20,247
<i>Total Cash Disbursements</i>	<u>201,999</u>	<u>1,483,444</u>	<u>2,122</u>	<u>1,687,565</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,845</u>	<u>(216,575)</u>	<u>(2,122)</u>	<u>(192,852)</u>
<b>Other Financing Receipts</b>				
Sale of Bonds		345,000		345,000
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>345,000</u>	<u>0</u>	<u>345,000</u>
<i>Net Change in Fund Cash Balances</i>	25,845	128,425	(2,122)	152,148
<i>Fund Cash Balances, January 1 (Restated - See Note 13)</i>	<u>52,132</u>	<u>626,991</u>	<u>6,211</u>	<u>685,334</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	755,416	4,089	759,505
Unassigned (Deficit)	77,977	0	0	77,977
<i>Fund Cash Balances, December 31</i>	<u>\$77,977</u>	<u>\$755,416</u>	<u>\$4,089</u>	<u>\$837,482</u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**



**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, fire protection and emergency medical services and fire protection. The Township contracts with the Scioto County Sheriff's Department to provide police protection.

**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.

***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.

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

***Ambulance Fund*** This fund receives tax monies, homestead and rollback monies and charges for services for the purchase of ambulance equipment and to provide emergency medical services to the 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 significant capital project fund:

***Miscellaneous Capital Projects Fund*** The township received bond proceeds for the acquisition and/ construction of a new administrative building. This fund accounts for the receipts and use of those proceeds.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

***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.

***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 canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 4.

***Deposits and Investments***

The Township maintains its deposit pool in an interest bearing checking account with a local commercial bank. The Township has no investments.

***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.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. 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.

***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 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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire District Fund by \$452,585 and Miscellaneous Special Revenue Fund by \$8,406 for the year ended December 31, 2019.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,100	\$227,844	\$55,744
Special Revenue	1,024,050	1,611,869	587,819
Capital Projects	0	0	0
<b>Total</b>	<b>\$1,196,150</b>	<b>\$1,839,713</b>	<b>\$643,563</b>

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,300	\$201,999	\$4,301
Special Revenue	1,128,000	1,483,444	(355,444)
Capital Projects	6,200	2,122	4,078
<b>Total</b>	<b>\$1,340,500</b>	<b>\$1,687,565</b>	<b>(\$347,065)</b>

**Note 5 – Deposits**

The Township maintains a deposits 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:

	2019
Demand deposits	\$837,482

**Deposits**

Deposits either are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

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

**Note 7 - Lodging Excise Tax**

The Township has assessed a lodging excise tax for all hotel/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 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 – Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

All 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 include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

**Note 10 – Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

**Note 11 – Debt**

Debt outstanding at December 31, 2019, was as follows:

	Principal	Interest Rate
Building Acquisition Bonds	\$324,427	2.80%
Squad Lease Purchase	111,983	4.75%
Fire Truck Acquisition Bonds	317,571	5.00%
Total	\$753,981	

The Township issued a \$500,000 building acquisition general 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 carried 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 lease purchase agreement with PNC Equipment Finance, LLC on June 28, 2018 for the purpose of acquiring an ambulance. The Township is scheduled to make annual payments in the amount of \$31,397, which includes interest, through December 28, 2022.

The Township issued a \$345,000 fire truck general obligation bond on April 18, 2019 for the purpose financing the cost of acquiring a fire truck. The Township is scheduled to make annual principal payments and semi-annual interest payments commencing June 1, 2019. This bond carries an interest rate of 5.00% and has a final maturity date of December 1, 2028.

***Amortization***

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

	Building Acquisition Bond	Ambulance Lease Purchase	Fire Truck Acquisition Bond
Year Ending December 31:			
2020	\$40,829	\$62,795	\$44,679
2021	40,816	31,398	44,678
2022	40,803	31,397	44,679
2023	228,262	0	44,679
2024	0	0	44,679
2025-2028	0	0	178,718
Total	\$350,710	\$125,590	\$402,112

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2019*

---

**Note 12 – 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.

**Note 13 – Restatement of Beginning Balances**

During 2019, the Township voided lost checks issued in a prior period. As such, beginning balances were restated accordingly. Those restatements had the following effect of beginning balances:

	Special Revenue Funds
Fund Balance, As Reported December 31, 2018	\$625,047
Restatement for Voided Checks	1,944
Fund Balance, As Reported December 31, 2019	\$626,991

**Note 14 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures may impact subsequent periods of the Township. The Township’s investments of the pension and other employee benefit plan in which the Township participates in have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

On February 17, 2020, the Board of Trustees approved a bid of \$140,000 for the purchase of a new fire truck. Of this amount, the Township has been awarded \$125,000 through a FEMA – Homeland Security grant with the remaining portion to be paid from the Township’s Fire District Fund.

**This page intentionally left blank.**



**Clay Township**  
*Scioto County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$142,558	\$808,805	\$0	\$951,363
Charges for Services	0	97,171	0	97,171
Licenses, Permits and Fees	39,779	12,500	0	52,279
Intergovernmental	43,715	145,104	44,227	233,046
Earnings on Investments	3,339	179	0	3,518
Miscellaneous	3,733	23,226	0	26,959
<i>Total Cash Receipts</i>	<u>233,124</u>	<u>1,086,985</u>	<u>44,227</u>	<u>1,364,336</u>
<b>Cash Disbursements</b>				
Current:				
General Government	198,045	29,583	0	227,628
Public Safety	0	445,702	0	445,702
Public Works	0	394,590	0	394,590
Health	3,895	4,162	0	8,057
Conservation-Recreation	10,036	0	0	10,036
Capital Outlay	0	217,832	69,790	287,622
Debt Service:				
Principal Retirement	0	126,710	0	126,710
Interest and Fiscal Charges	0	11,658	0	11,658
<i>Total Cash Disbursements</i>	<u>211,976</u>	<u>1,230,237</u>	<u>69,790</u>	<u>1,512,003</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,148</u>	<u>(143,252)</u>	<u>(25,563)</u>	<u>(147,667)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Inception of Capital Lease	0	140,000	0	140,000
Advances In	10,000	10,000	0	20,000
Advances Out	(10,000)	(10,000)	0	(20,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>140,000</u>	<u>0</u>	<u>140,000</u>
<i>Net Change in Fund Cash Balances</i>	21,148	(3,252)	(25,563)	(7,667)
<i>Fund Cash Balances, January 1 (Restated - See Note 13)</i>	<u>30,984</u>	<u>628,299</u>	<u>31,774</u>	<u>691,057</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	625,047	6,211	631,258
Assigned	34,200	0	0	34,200
Unassigned (Deficit)	17,932	0	0	17,932
<i>Fund Cash Balances, December 31</i>	<u>\$52,132</u>	<u>\$625,047</u>	<u>\$6,211</u>	<u>\$683,390</u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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, fire protection and emergency medical services. The Township contracts with the Scioto County Sheriff to provide police services.

**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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

***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*** The fund receives property tax monies and homestead and rollback monies for constructing, maintaining and repairing Township roads and bridges.

***Fire District Fund*** The fire district 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.

***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 significant capital project fund:

***Miscellaneous Capital Project*** This fund received receipts and disbursements from Scioto County on behalf of the Township for the resurfacing of Township roads.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***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.

***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 canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

***Deposits and Investments***

The Township maintains its deposit pool in an interest bearing checking account with a local commercial bank. The Township has no investments.

***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.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. 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.

***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 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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$776, Gasoline Tax fund by \$13,039, Fire District Fund by \$13,603, Ambulance & EMS Service Fund by \$219,409 and Miscellaneous Capital Projects Fund by \$39,790 for the year ended December 31, 2018.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,224	\$243,124	\$18,900
Special Revenue	1,051,000	1,236,985	185,985
Capital Projects	0	44,227	44,227
Total	\$1,275,224	\$1,524,336	\$249,112

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$221,200	\$221,976	(\$776)
Special Revenue	1,053,629	1,240,237	(186,608)
Capital Projects	30,000	69,790	(39,790)
Total	\$1,304,829	\$1,532,003	(\$227,174)

**Note 5 – Deposits**

The Township maintains a deposits 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:

	2018
Demand deposits	\$683,390

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

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.

**Note 7 - Lodging Excise Tax**

The Township has assessed a lodging excise tax for all hotel/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 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.

**Note 9 – Defined Benefit Pension Plans**

*Ohio Public Employees Retirement System*

All employees and elected 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 include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

**Note 10 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Clay Township**  
*Scioto County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2018*

---

**Note 11 – Debt**

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Building Acquisition Bonds	\$355,746	2.80%
Squad Lease-Purchase	111,983	4.75%
Total	\$467,729	

The Township issued a \$500,000 building acquisition general 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 carried 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 lease purchase agreement with PNC Equipment Finance, LLC on June 28, 2018 for the purpose of acquiring an ambulance. The Township is scheduled to make annual payments in the amount of \$31,397, which includes interest, through December 28, 2022

***Amortization***

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

Year Ending		General
December 31:	Leases	Obligation Bonds
2019	\$31,397	\$40,841
2020	31,397	40,829
2021	31,397	40,816
2022	31,397	40,803
2023	0	228,262
Total	\$125,588	\$391,551

**Note 12 – 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*  
*For the Year Ended December 31, 2018*

---

**Note 13 – Restatement of Beginning Balances**

During 2018, the Township posted audit adjustments for a prior period. As such, beginning balances were restated accordingly. Those restatements had the following effect on beginning balances:

	Special Revenue Funds
Fund Balance, As Reported January 1, 2018	\$627,466
Restatement for Audit Adjustments	833
Fund Balance, As Reported January 1, 2018	\$628,299

**Note 14 – Subsequent Events**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of the COVID-19 and the ensuing emergency measures may impact subsequent periods of the Township. The Township’s investments of the pension and other employee benefit plan in which the Township participates in have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**This page intentionally left blank.**

# OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash  
11117 Kenwood Road  
Blue Ash, Ohio 45242-1817  
(513) 361-8550 or (800) 368-7419  
SouthwestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Clay Township  
Scioto County  
1440 Normandy Avenue  
Portsmouth, Ohio 45662

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements of Clay Township, Scioto County, (the Township) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 18, 2020 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

**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, opining 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-002.

**Purpose of this Report**

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

June 18, 2020

CLAY TOWNSHIP  
SCIOTO COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal controls relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township misclassified and misposted various revenues and expenditures in the annual financial report submitted to the Auditor of State for fiscal years 2019 and 2018, as follows:

*December 31, 2019 Financial Statements:*

- Sale of Bonds in the amount of \$345,000 was not recorded in the Fire District Fund as Other Financing Sources - Sale of Bonds and corresponding Capital Outlay expenditure.
- General Fund Property Tax Revenue was understated by \$38,574 and the General Government expenditures was also understated by the same amount.
- General Fund Intergovernmental Revenues was understated by \$2,745 and Motor Vehicle License Tax Fund Intergovernmental Revenues were overstated by the same amount.
- Capital Project Fund disbursements in the amount of \$2,122 were recorded as Conservation/Recreation disbursements instead of Capital Outlay.

*December 31, 2018 Financial Statements:*

- Capital Lease Inception in the amount of \$140,000 was not recorded in the Ambulance and EMS Services Fund as Other Financing Sources- Other Debt Proceeds and corresponding Capital Outlay disbursements, in accordance with page D-62 of the Ohio Township Handbook located at <http://www.ohioauditor.gov/publications/TownshipHandbook%202-27-19.pdf>.
- On behalf activity relating to an Ohio Public Works Commission Project Grant was not recorded, thus, the Capital Projects Fund Intergovernmental Revenues and Capital Outlay expenditures were both understated by \$44,227. See Auditor of State Bulletins 2000-008 and 2002-004.
- General Fund Property Tax revenue was understated by \$32,597 and the General Government expenditures was also understated by the same amount.
- General Fund Property Tax receipts were overstated by \$8,479 and the Intergovernmental receipts were understated by the same amount.
- General Fund balance was misclassified. Unassigned Fund Balance was overstated by \$34,200 while Assigned Fund Balance was understated by the same amount.
- Capital Project Fund disbursements in the amount of \$25,563 were recorded as Conservation/Recreation disbursements instead of Capital Projects.

**FINDING NUMBER 2019-001  
 (Continued)**

The Township has adjusted the financial statements and accounting system to correct these errors.

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

We also recommend the Township Fiscal Officer refer to the Ohio Township Handbook, Auditor of State Bulletins 2000-008 and 2002-004 and also take due care in posting transactions in order to ensure the annual financial statements reflect the appropriate activity for the Township's receipts and disbursements.

**Officials' Response:**

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

**FINDING NUMBER 2019-002**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated.

At December 31, 2019, expenditures plus contractual commitments exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Dollar Variance
Fire District Fund	\$241,500	\$694,085	(\$452,585)
Miscellaneous Special Revenue Fund	\$0	\$8,406	(\$8,406)

At December 31, 2018, expenditures plus contractual commitments exceeded appropriations as follows:

Fund	Appropriations	Expenditures	Dollar Variance
General Fund	\$221,200	\$221,976	(\$776)
Gasoline Tax Fund	\$100,000	\$113,039	(\$13,039)
Fire District Fund	\$216,129	\$229,732	(\$13,603)
Ambulance and EMS Services Fund	\$142,000	\$361,409	(\$219,409)
Miscellaneous Capital Projects	\$30,000	\$69,790	(\$39,790)

This could result in overspending if not properly monitored.

We recommend the Fiscal Officer monitor budget versus actual expenditures throughout the year to ensure appropriations are not exceeded. If it is determined that appropriations will be exceeded, amended appropriations should be approved by the Board of Trustees. Any amendments should be filed with the County Auditor to certify whether appropriations exceed estimated resources.

**Officials' Response:**

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

**Clay Township**  
**Scioto County**  
1440 Normandy Avenue  
Portsmouth, Ohio 45662

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For the Years Ended December 31, 2019 and 2108**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2017-001	<b>Material Weakness – Financial Reporting</b>	Not Corrected	Reissued as Finding 2019-001
2017-002	<b>Material Weakness – Budgetary Information within UAN System</b>	Not Corrected	Reissued in Management Letter
2017-003	<b>Material Noncompliance – Appropriations Exceed Estimated Resources</b>	Fully Corrected	
2017-004	<b>Material Weakness – Expenditures in Excess of Appropriations</b>	Not Corrected	Reissued as Finding 2019-002

**This page intentionally left blank.**



OHIO AUDITOR OF STATE  
**KEITH FABER**



**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 7, 2020**