

Clay Township
Scioto County
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA

Auditor of State

Board of Trustees
Clay Township
1440 Normandy Road
Portsmouth, Ohio 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, 2008 through December 31, 2009. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 25, 2010

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Clay Township
Scioto County
Table of Contents
For the Years Ended December 31, 2009 and 2008

Title	Page
Independent Auditor's Report	1 – 2
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2009.....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2008.....	4
Notes to the Financial Statements	5 – 10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11 – 12
Schedule of Findings and Responses.....	13
Schedule of Prior Year Findings	14

Independent Auditor's Report

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

We have audited the accompanying financial statements of Clay Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2010 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

August 20, 2010

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, 2009

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$136,001	\$499,247	\$635,248
Charges for Services	23,823	65,206	89,029
Licenses, Permits, and Fees	75,264	3,750	79,014
Intergovernmental	60,575	250,738	311,313
Earnings on Investments	2,262	374	2,636
Miscellaneous	4,774	15,746	20,520
Total Cash Receipts	302,699	835,061	1,137,760
Cash Disbursements:			
Current:			
General Government	179,634	24,763	204,397
Public Safety	4,333	311,661	315,994
Public Works	0	300,941	300,941
Health	40,045	7,965	48,010
Conservation/Recreation	30,642	0	30,642
Capital Outlay	2,603	57,393	59,996
Debt Service:			
Redemption of Principal	0	61,875	61,875
Interest and Other Fiscal Charges	0	14,979	14,979
Total Cash Disbursements	257,257	779,577	1,036,834
Total Cash Receipts Over (Under) Cash Disbursements	45,442	55,484	100,926
Fund Cash Balances, January 1	75,142	263,985	339,127
Fund Cash Balances, December 31	\$120,584	\$319,469	\$440,053
Reserve for Encumbrances, December 31	\$0	\$381	\$381

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

Clay Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$163,256	\$506,800	\$670,056
Charges for Services	29,180	57,429	86,609
Licenses, Permits, and Fees	40,160	7,100	47,260
Intergovernmental	65,520	241,765	307,285
Earnings on Investments	2,012	441	2,453
Miscellaneous	4,859	26,606	31,465
Total Cash Receipts	304,987	840,141	1,145,128
Cash Disbursements:			
Current:			
General Government	193,629	21,738	215,367
Public Safety	3,249	326,353	329,602
Public Works	4,982	302,347	307,329
Health	46,403	8,740	55,143
Conservation/Recreation	41,302	0	41,302
Capital Outlay	1,544	81,707	83,251
Debt Service:			
Redemption of Principal	0	102,193	102,193
Interest and Other Fiscal Charges	0	20,887	20,887
Total Cash Disbursements	291,109	863,965	1,155,074
Total Cash Receipts Over (Under) Cash Disbursements	13,878	(23,824)	(9,946)
Other Financing Sources:			
Other Debt Proceeds	0	26,553	26,553
Total Other Financing Sources	0	26,553	26,553
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements	13,878	2,729	16,607
Fund Cash Balances, January 1, Restated - See Note 11	61,264	261,256	322,520
Fund Cash Balances, December 31	\$75,142	\$263,985	\$339,127
Reserve for Encumbrances, December 31	\$0	\$381	\$381

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

Clay Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clay Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides 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.

Basis of Accounting

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

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

Cash

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

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

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

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.

Clay Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

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 and homestead and rollback monies for the purchase of ambulance equipment and to provide emergency medical services to residents of the Township.

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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 also 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 re-appropriated in the subsequent year.

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

Property, Plant, and Equipment

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

Note 2 – Equity in Pooled Cash

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

	2009	2008
Demand Deposits	\$440,053	\$339,127

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 Years Ended December 31, 2009 and 2008*

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$249,073	\$302,699	\$53,626
Special Revenue	788,638	835,061	46,423
Total	<u>\$1,037,711</u>	<u>\$1,137,760</u>	<u>\$100,049</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$324,200	\$257,257	\$66,943
Special Revenue	990,797	779,958	210,839
Total	<u>\$1,314,997</u>	<u>\$1,037,215</u>	<u>\$277,782</u>

Budgetary activity for the year ending December 31, 2008 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$254,284	\$304,987	\$50,703
Special Revenue	774,162	866,694	92,532
Total	<u>\$1,028,446</u>	<u>\$1,171,681</u>	<u>\$143,235</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$314,475	\$291,109	\$23,366
Special Revenue	1,032,492	864,346	168,146
Total	<u>\$1,346,967</u>	<u>\$1,155,455</u>	<u>\$191,512</u>

Note 4 – 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.

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

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.

Clay Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 5 – Leases

Leases outstanding at December 31, 2009 were as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Backhoe Lease	\$11,062	4.64%
Fire Truck Lease	<u>185,866</u>	5.11%
Total	<u>\$196,928</u>	

The Township entered into a lease/purchase agreement with Kansas State Bank on April 28, 2005 for the lease of a backhoe. The Township is scheduled to make annual payments in the amount of \$11,575, which includes interest, through April 28, 2010 at which time the Township will own the backhoe.

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 \$26,272.21, which includes interest, through March 1, 2018 at which time the Township will own the fire truck.

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

<u>Year ending December 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 27,845	\$ 10,002	\$ 37,847
2011	17,640	8,632	26,272
2012	18,541	7,731	26,272
2013	19,487	6,785	26,272
2014	20,482	5,790	26,272
2015-2019	<u>92,933</u>	<u>12,156</u>	<u>105,089</u>
	<u>\$ 196,928</u>	<u>\$ 51,096</u>	<u>\$ 248,024</u>

Note 6 – Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2003 Fire Truck Note	\$11,286	4.12%
2005 Cemetery Bond	20,700	5.11%
2008 Excavator Note	<u>18,163</u>	5.40%
Total	<u>\$50,149</u>	

The 2003 fire truck note was issued to finance the purchase of a fire truck and equipment to be used for the citizens of the Township. The debt was collateralized by the fire truck. The 2005 cemetery land acquisition bond was issued for cemetery expansion to be used by the citizens of the Township. The bond was collateralized by the land. The 2008 excavator note was issued to finance the purchase of an excavator to be used for the citizens of the Township. The debt was collateralized by the excavator.

Clay Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 6 – Debt (Continued)

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

Year ending December 31:	Excavator Note	Fire Truck Note	Cemetery Bond	Total
2010	\$ 9,841	\$ 11,751	\$ 4,464	\$ 26,056
2011	9,831	-	4,287	14,118
2012	-	-	4,011	4,011
2013	-	-	3,935	3,935
2014	-	-	3,759	3,759
2015-2019	-	-	3,582	3,582
	<u>\$ 19,672</u>	<u>\$ 11,751</u>	<u>\$ 24,038</u>	<u>\$ 55,461</u>

Note 7 – 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 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2009.

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

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.

Note 10 – Lodging Excise Tax

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

**Clay Township
Scioto County**

*Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008*

Note 11 – Restatement of Fund Cash Balances

In the previous audit, it was recommended that the Township remove outstanding checks six months or older from its outstanding check list. In 2008, the Township made the appropriate adjustments to beginning fund cash balances to address this recommendation. These adjustments had the following effect on beginning fund cash balances:

	General Fund	Special Revenue Funds
Fund Cash Balance, December 31, 2007	\$60,329	\$257,743
Restatement	935	3,513
Restated Fund Cash Balance, December 31, 2007	<u>\$61,264</u>	<u>\$261,256</u>

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

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

We have audited the financial statements of Clay Township, Scioto, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 20, 2010, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider finding 2009-001 described in the accompanying schedule of findings and responses to be a material weakness.

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

We noted certain matters that we reported to management of the in a separate letter dated August 20, 2010.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

August 20, 2010

Clay Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

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

FINDING NUMBER 2009-001

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 various receipts and disbursements by line item and in 2008 and 2009 and did not record proceeds of debt and the related capital outlay in 2008. These reclassifications and adjustment 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.

Clay Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2007-001	Noncompliance with ORC Section 505.37 – Lack of Approval of Lease Purchase Agreement	Yes	
Finding 2007-002	Significant Deficiency – Financial Reporting	No	Reissued as Finding 2009-001
Finding 2007-003	Significant Deficiency – Financial Monitoring	Yes	

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Mary Taylor, CPA
Auditor of State

CLAY TOWNSHIP

CLAY 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
NOVEMBER 4, 2010**