

Clay Township
Scioto County
Regular Audit
For the Years Ended December 31, 2015 and 2014



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Dave Yost • Auditor of State

Board of Trustees
Clay Township
1440 Normandy Drive
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, 2014 through December 31, 2015. 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

August 23, 2016

Clay Township
Scioto County
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For the Years Ended December 31, 2015 and 2014

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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, 2015 and 2014.

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 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 1 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, 2015 and 2014, or 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 combined cash balances of Clay Township, Scioto County, as of December 31, 2015 and 2014 and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2016, 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.



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

June 28, 2016

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, 2015

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$136,014	\$715,130	\$0	\$851,144
Charges for Services	0	26,711	0	26,711
Licenses, Permits, and Fees	46,311	8,450	0	54,761
Intergovernmental	45,355	215,817	0	261,172
Earnings on Investments	902	108	0	1,010
Miscellaneous	4,016	22,287	0	26,303
Total Cash Receipts	232,598	988,503	0	1,221,101
Cash Disbursements:				
Current:				
General Government	176,970	0	0	176,970
Public Safety	0	426,037	0	426,037
Public Works	0	452,407	0	452,407
Health	35,610	2,898	0	38,508
Conservation/Recreation	15,358	0	0	15,358
Capital Outlay	0	154,195	37,066	191,261
Debt Service:				
Redemption of Principal	0	54,187	0	54,187
Interest and Other Fiscal Charges	0	18,223	0	18,223
Total Cash Disbursements	227,938	1,107,947	37,066	1,372,951
Total Cash Receipts Over (Under) Cash Disbursements	4,660	(119,444)	(37,066)	(151,850)
Other Financing Receipts:				
Other Debt Proceeds	0	118,066	0	118,066
Sale of Fixed Assets	0	0	11,710	11,710
Total Other Financing Receipts	0	118,066	11,710	129,776
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	4,660	(1,378)	(25,356)	(22,074)
Fund Cash Balances, January 1	21,241	536,791	161,500	719,532
Nonspendable:				
Unclaimed Monies	556	0	0	556
Restricted for:				
Motor Vehicle License Tax	0	48,607	0	48,607
Gasoline Tax	0	20,135	0	20,135
Cemetery	0	21,445	0	21,445
Police	0	107,740	0	107,740
Fire	0	149,391	0	149,391
Ambulance and EMS	0	117,877	0	117,877
Capital Projects	0	0	136,144	136,144
Committed to:				
Road and Bridge Maintenance and Improvements	0	70,218	0	70,218
Assigned	1,033	0	0	1,033
Unassigned	24,312	0	0	24,312
Fund Cash Balances, December 31	\$25,901	\$535,413	\$136,144	\$697,458

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, 2014

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$116,633	\$661,639	\$0	\$778,272
Charges for Services	0	29,454	0	29,454
Licenses, Permits, and Fees	59,787	5,820	0	65,607
Intergovernmental	34,454	207,665	0	242,119
Earnings on Investments	1,444	216	0	1,660
Miscellaneous	5,281	19,389	0	24,670
Total Cash Receipts	217,599	924,183	0	1,141,782
Cash Disbursements:				
Current:				
General Government	173,030	0	0	173,030
Public Safety	0	443,629	0	443,629
Public Works	0	435,065	0	435,065
Health	38,156	285	0	38,441
Conservation/Recreation	15,776	0	0	15,776
Capital Outlay	32,427	55,058	103,788	191,273
Debt Service:				
Redemption of Principal	0	47,762	0	47,762
Interest and Other Fiscal Charges	0	19,414	0	19,414
Total Cash Disbursements	259,389	1,001,213	103,788	1,364,390
Total Cash Receipts Over (Under) Cash Disbursements	(41,790)	(77,030)	(103,788)	(222,608)
Other Financing Receipts:				
Miscellaneous Receipts	0	0	0	0
Sale of Fixed Assets	33,611	0	161,500	195,111
Total Other Financing Receipts	33,611	0	161,500	195,111
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(8,179)	(77,030)	57,712	(27,497)
Fund Cash Balances, January 1	29,420	613,821	103,788	747,029
Nonspendable:				
Unclaimed Monies	556	0	0	556
Restricted for:				
Motor Vehicle License Tax	0	45,668	0	45,668
Gasoline Tax	0	24,267	0	24,267
Road and Bridge	0	32,834	0	32,834
Cemetery	0	12,293	0	12,293
Police	0	98,835	0	98,835
Fire	0	130,419	0	130,419
Ambulance and EMS	0	109,536	0	109,536
Capital Projects	0	0	161,500	161,500
Committed to:				
Road and Bridge Maintenance and Improvements	0	82,939	0	82,939
Unassigned	20,685	0	0	20,685
Fund Cash Balances, December 31	\$21,241	\$536,791	\$161,500	\$719,532

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, 2015 and 2014

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, 2015 and 2014

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, 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 Projects 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. 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 2015 and 2014 budgetary activity appears in Note 3.

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:

Clay Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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.

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.

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 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:

	2015	2014
Demand Deposits	\$697,458	\$719,532

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, 2015 and 2014

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$216,448	\$232,598	\$16,150
Special Revenue	923,286	1,106,569	183,283
Capital Projects	0	11,710	11,710
Total	\$1,139,734	\$1,350,877	\$211,143

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$228,971	(\$228,971)
Special Revenue	0	1,110,411	(1,110,411)
Capital Projects	0	37,066	(37,066)
Total	\$0	\$1,376,448	(\$1,376,448)

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$235,328	\$251,210	\$15,882
Special Revenue	1,066,250	924,183	(142,067)
Capital Projects	0	161,500	161,500
Total	\$1,301,578	\$1,336,893	\$35,315

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$231,138	\$259,389	(\$28,251)
Special Revenue	1,622,360	1,001,213	621,147
Capital Projects	0	103,788	(103,788)
Total	\$1,853,498	\$1,364,390	\$489,108

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.

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, 2015 and 2014

Note 5 – Debt Obligations

Debt obligations outstanding at December 31, 2015 were as follows:

	Principal	Interest Rate
Fire Truck Lease Purchase	\$71,405	5.11%
Building Acquisition Bonds	444,677	2.80%
Dump Truck Loan	113,466	5.89%
Total	\$629,548	

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:	Building Acquisition Bonds			Fire Truck Lease			Dump Truck Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$28,829	\$12,047	\$40,876	\$22,627	\$3,645	\$26,272	\$57,600	\$5,155	\$62,755
2017	29,636	11,229	40,865	23,782	2,490	26,272	55,866	1,659	57,525
2018	30,466	10,387	40,853	24,996	1,276	26,272	0	0	0
2019	31,319	9,522	40,841	0	0	0	0	0	0
2020	32,195	8,633	40,828	0	0	0	0	0	0
2021-2023	292,232	17,650	309,882	0	0	0	0	0	0
Total	\$444,677	\$69,468	\$514,145	\$71,405	\$7,411	\$78,816	\$113,466	\$6,814	\$120,280

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 2015 and 2014, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Clay Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

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.

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, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2016, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2015-001 and 2015-003 to be material weaknesses.

Clay Township
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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*

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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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2015-002 to be a significant deficiency.

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 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 2015-004 through 2015-006.

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 28, 2016

Clay Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

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

Finding Number 2015-001

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 2014 and 2015. 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 2015-002

Significant Deficiency – EMS Billings

Having sound internal controls over the processing of revenue transactions is a necessary aspect of the control environment to assure that revenues are being recorded accurately and completely. During testing of revenues generated by EMS runs, it was noted that there are not sufficient controls in place for the monitoring of revenues generated by the EMS. The Township outsources its billing to an independent contractor. The squad chief faxes the run sheets directly to the independent contractor who files claims with insurance companies. The insurance company pays the Township via EFT or by check. However, not all runs reported by the EMS are billed by the contractor as he considers some of those claims to be unbillable. There is not a policy in place by the Township to approve what runs are billable or unbillable or to authorize the service provider to make such determinations. Also, the Township does not have controls in place to ensure that the amounts billed and the amounts received are correct. Lack of controls could adversely affect the Township's ability to maximize its revenue collection potential. The Township should implement controls to monitor the revenues generated by EMS to ensure the revenues billed and received are accurate and complete.

Client Response:

The Township chose not to respond.

Finding Number 2015-003

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 approved by the County Auditor in 2015 and 2014 estimated resources and appropriations. 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.

Clay Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Finding Number 2015-004

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 2014, the Township had expenditures in excess of appropriations in the Capital Projects Fund and General Fund. In 2015, the Township did not submit appropriations to the County Auditor. 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.

Finding Number 2015-005

Material Noncompliance – Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Clay Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Material Noncompliance – Prior Encumbrance of Funds (Continued)

There were instances identified in 2015 and 2014 for which funds were not properly certified prior to commitment or expenditure of funds. Failure to certify properly the availability of funds can result in overspending funds or unauthorized spending and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Client Response:

The Township chose not to respond.

Finding Number 2015-006

Material Noncompliance – Annual Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. 2015 appropriations were not approved by the trustees or filed with the County. The Township should implement the appropriate procedures to ensure that all authorized budgetary information is properly documented within the minute record to ensure that budgetary information disclosed in the financial records are adequately supported. All budgetary data should be filed with the County.

Client Response:

The Township chose not to respond.

**Clay Township
Scioto County**

*Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014*

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-1	Material Weakness – Financial Reporting	No	Reissued as Finding 2015-001
2013-2	Significant Deficiency – EMS Billings	No	Reissued as Finding 2015-002
2013-3	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2015-003



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
SEPTEMBER 6, 2016