

Clay Township  
Scioto County  
Regular Audit  
For the Years Ended December 31, 2011 and 2010



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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, 2010 through December 31, 2011. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 1, 2012

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**Clay Township**  
**Scioto County**  
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*For the Years Ended December 31, 2011 and 2010*

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**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, 2011 and 2010. 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.

Except as noted below, 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.

We were unable to obtain sufficient evidential matter supporting the amounts recorded as General Fund charges for services receipts. General Fund charges for services are reported at \$20,154 and \$18,520 for the years ended December 31, 2011 and 2010, respectively, which are 8 percent of General Fund receipts for the year ended December 31, 2011 and 7 percent of General Fund receipts for the year ended December 31, 2010. We were unable to determine the completeness or accuracy of General Fund charges for services through alternative procedures.

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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of adjustments, if any, that might have been required had we been able to examine sufficient appropriate evidence regarding charges for services as described in paragraph 3, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the General Fund and its combined cash receipts and disbursements for the years then ended in the accounting basis Note 1 describes.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and reserves for encumbrances as of December 31, 2010 of the Special Revenue Funds of Clay Township, Scioto County, and its combined cash receipts and disbursements for the years then ended.

As discussed in Note 12, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012 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.

June 15, 2012

**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, 2011*

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$136,545	\$583,406	\$719,951
Charges for Services	20,154	46,279	66,433
Licenses, Permits, and Fees	35,389	10,800	46,189
Intergovernmental	66,868	309,421	376,289
Earnings on Investments	1,213	391	1,604
Miscellaneous	5,584	12,437	18,021
<b>Total Cash Receipts</b>	<b>265,753</b>	<b>962,734</b>	<b>1,228,487</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	204,482	0	204,482
Public Safety	10,000	370,334	380,334
Public Works	100	363,433	363,533
Health	48,000	12,712	60,712
Conservation/Recreation	36,893	0	36,893
Capital Outlay	2,615	124,707	127,322
<b>Debt Service:</b>			
Redemption of Principal	0	26,960	26,960
Interest and Other Fiscal Charges	0	9,136	9,136
<b>Total Cash Disbursements</b>	<b>302,090</b>	<b>907,282</b>	<b>1,209,372</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(36,337)</b>	<b>55,452</b>	<b>19,115</b>
<b>Fund Cash Balances, January 1</b>	<b>70,269</b>	<b>371,358</b>	<b>441,627</b>
<b>Fund Cash Balances, December 31</b>			
<b>Restricted</b>			
Cemetery	0	1,575	1,575
Emergency Medical Services	0	53,055	53,055
Police Operations	0	37,071	37,071
Fire Operations	0	125,244	125,244
FEMA	0	44,032	44,032
Road and Bridge Maintenance and Improvements	0	165,833	165,833
Nonspendable	1,259	0	1,259
Unassigned	32,673	0	32,673
<b>Fund Cash Balances, December 31</b>	<b>\$33,932</b>	<b>\$426,810</b>	<b>\$460,742</b>

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, 2010*

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$126,064	\$502,227	\$628,291
Charges for Services	18,520	51,235	69,755
Licenses, Permits, and Fees	43,356	3,450	46,806
Intergovernmental	58,914	328,358	387,272
Earnings on Investments	1,869	295	2,164
Miscellaneous	6,941	19,374	26,315
<b>Total Cash Receipts</b>	<b>255,664</b>	<b>904,939</b>	<b>1,160,603</b>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	185,658	0	185,658
Public Safety	6,190	408,023	414,213
Public Works	0	283,495	283,495
Health	59,543	3,569	63,112
Conservation/Recreation	31,143	0	31,143
Capital Outlay	3,000	98,549	101,549
<b>Debt Service:</b>			
Redemption of Principal	20,700	47,974	68,674
Interest and Other Fiscal Charges	1,004	11,440	12,444
<b>Total Cash Disbursements</b>	<b>307,238</b>	<b>853,050</b>	<b>1,160,288</b>
<b>Total Cash Receipts Over (Under) Cash Disbursements</b>	<b>(51,574)</b>	<b>51,889</b>	<b>315</b>
Fund Cash Balances, January 1, Restated - See Note 11	121,843	319,469	441,312
Fund Cash Balances, December 31	<u>\$70,269</u>	<u>\$371,358</u>	<u>\$441,627</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$33,626</u>	<u>\$33,626</u>

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, 2011 and 2010*

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**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, 2011 and 2010*

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**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 2011 and 2010 budgetary activity appears in Note 3.

**Fund Balances**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

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

*Committed* – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

**Clay Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

*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:

	2011	2010
Demand Deposits	\$460,742	\$441,627

*Deposits:* Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2011 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$256,146	\$265,753	\$9,607
Special Revenue	906,778	962,734	55,956
Total	\$1,162,924	\$1,228,487	\$65,563

**Clay Township**  
**Scioto County**

*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

**Note 3 – Budgetary Activity**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$324,210	\$302,090	\$22,120
Special Revenue	1,259,295	907,282	352,013
Total	<u>\$1,583,505</u>	<u>\$1,209,372</u>	<u>\$374,133</u>

Budgetary activity for the year ending December 31, 2010 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,985	\$255,664	\$2,679
Special Revenue	782,660	904,939	122,279
Total	<u>\$1,035,645</u>	<u>\$1,160,603</u>	<u>\$124,958</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$307,238	(\$307,238)
Special Revenue	0	886,676	(886,676)
Total	<u>\$0</u>	<u>\$1,193,914</u>	<u>(\$1,193,914)</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.

**Note 5 – Leases**

Leases outstanding at December 31, 2011 were as follows:

	Principal	Interest Rate
Fire Truck Lease	\$151,443	5.11%

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.

**Clay Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 5 – Leases (Continued)**

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

Year ending December 31:	Principal	Interest	Total
2012	\$18,541	\$7,731	\$26,272
2013	19,487	6,785	26,272
2014	20,482	5,790	26,272
2015	21,528	4,744	26,272
2016	22,627	3,645	26,272
2017-2018	48,778	3,766	52,544
Total	<u>\$151,443</u>	<u>\$32,461</u>	<u>\$183,904</u>

**Note 6 – Debt**

The Township issued a 2003 fire truck note 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 Township issued a 2005 cemetery land acquisition bond for cemetery expansion to be used by the citizens of the Township. The bond was collateralized by the land. The Township issued a 2008 excavator note to finance the purchase of an excavator to be used for the citizens of the Township. The debt was collateralized by the excavator. The fire truck and cemetery land debts were paid in full during 2010. The excavator debt was paid in full during 2011.

**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 2011 and 2010, 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, 2011.

**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.

**Clay Township**  
**Scioto County**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**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.

**Note 11 – Restatement of Fund Cash Balances**

In a previous audit, it was recommended that the Township remove outstanding checks six months or older from its outstanding check list and place in unclaimed funds. In 2010, the Township made the appropriate adjustments to beginning fund cash balance to address this recommendation. These adjustments had the following effect on beginning fund cash balance:

	<u>General</u>
	<u>Fund</u>
Fund Cash Balance, December 31, 2009	\$120,584
Restatement	1,259
Restated Fund Cash Balance, December 31, 2009	<u>\$121,843</u>

**Note 12 – Change in Accounting Principles**

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township’s fund balances but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Township has no funds that required fund reclassification.

**Note 13 – Compliance**

The Township had expenditures in excess of appropriations during the audit period, which is contrary to Ohio Revised Code section 5705.41(B).

The Township did not file its appropriation with the County Auditor in 2010, which is contrary to Ohio Revised Code Section 5705.38(A).

**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 County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 15, 2012, wherein we noted the Township followed the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township adopted Governmental Accounting Standards Board Statement No. 54. We qualified our opinion due to lack of sufficient, appropriate evidential matter for the amounts reported as charges for services for the General Fund. Except as discussed in the preceding sentence, 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**

Management of the Township is responsible for establishing and maintaining effective 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be 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 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 the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. These findings are identified as findings 2011-001 and 2011-004.

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*

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### **Internal Control Over Financial Reporting (Continued)**

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 to be a significant deficiency. This finding is identified as finding 2011-003.

### **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 2011-002 and 2011-005.

We noted certain matters that we reported to management of the Township in a separate letter dated June 15, 2012.

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

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.

June 15, 2012

**Clay Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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

**FINDING NUMBER 2011-001**

**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, disbursements, and balances in 2011 and 2010. The Township also recorded certain receipts net of fees, thus understating receipts and disbursements. These reclassifications and adjustments 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 2011-002**

**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. The Township had expenditures in excess of appropriations in 2010 due to not filing an annual appropriation measure to the County, as required by the Ohio Revised Code. 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. Furthermore, the Township should also implement procedures, such as use of tickler files, to ensure that filing requirements are met.

**Client Response:**

The Township chose not to respond.

**FINDING NUMBER 2011-003**

**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, we noted that the Township outsources their billing to an independent contractor and that there are insufficient controls in place for the monitoring of billings processed and sent on behalf of the Township. Failure to have the proper monitoring procedures in place may result in the service organization's inaccurate or inappropriate processing of bills for EMS runs which may result in inaccurate or incomplete payments to the Township or fraudulent activity perpetrated and undetected or not timely detected by the Township. The Township should implement the appropriate monitoring procedures to ensure that billings issued on its behalf are accurate, complete, and appropriate.

**Client Response:**

The Township chose not to respond.

**Clay Township**  
**Scioto County**  
*Schedule of Findings and Responses*  
*For the Years Ended December 31, 2011 and 2010*

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**FINDING NUMBER 2011-004**

**Material Weakness – Pool Operations**

Sound internal controls are pertinent to ensure that financial transactions are accurately and completely accounted for and that a proper audit trail is maintained. The Township has insufficient controls in place to adequately support pool receipt activity. The Township cannot adequately substantiate with existing controls that receipts collected in pool operations are recorded accurately and completely. The Township is furthermore subject to the risk of theft or fraud as the majority of pool fees are received in cash. The Township should implement adequate control procedures such as the issuance of duplicate receipts, attendance logs, etc. to ensure that pool receipts are accounted for accurately and completely to mitigate risk of misappropriation of cash collections.

**Client Response:**

The Township chose not to respond.

**FINDING NUMBER 2011-005**

**Material Noncompliance – Filing of Appropriation Measures**

Ohio Revised Code 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. Ohio Revised Code Section 5705.39 states that no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The annual appropriation measure for 2010 was not filed with the county. The Township should implement the appropriate procedures to ensure that annual appropriation measures are filed with the county in a timely fashion.

**Client Response:**

The Township chose not to respond.

**Clay Township**  
**Scioto County**

*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2011 and 2010*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
Finding 2009-001	Material Weakness – Financial Reporting	No	Reissued as finding 2011-001

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# Dave Yost • Auditor of State

CLAY TOWNSHIP

SCIOTO COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 11, 2012