



Dave Yost • Auditor of State



CLAY TOWNSHIP  
GALLIA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Clay Township  
Gallia County  
11126 State Route 7 South  
Gallipolis, Ohio 45631

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio, as of December 31, 2013 and 2012, and the respective changes in cash financial position and the budgetary comparison for the General, Gasoline Tax and Fire District Funds thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2012, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the Township's financial statements that collectively comprise its basic financial statements.

*Management's Discussion & Analysis* includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2014, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 2, 2014

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Clay Township  
Gallia County, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012

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This discussion and analysis of the Clay Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2013 and 2012, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2013 are as follows:

Net position of governmental activities decreased \$23,057, or 11.27 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Gasoline Tax Fund, which realized the greatest burden of increased costs in 2013; however, cost increases affected most funds.

The Township's general receipts are primarily property taxes and intergovernmental receipts. These receipts represent respectively 33.16 and 66.11 percent of the total cash received for governmental activities during the year. Property tax receipts for 2013 changed very little compared to 2012 as development within the Township has slowed.

Key highlights for 2012 are as follows:

Net position of governmental activities increased \$21,045, or 11.46 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gasoline Tax Fund, which received reimbursements from the FEMA fund for payments made in 2011.

The Township's general receipts are primarily property taxes and intergovernmental receipts. These receipts represent respectively 20.19 and 73.23 percent of the total cash received for governmental activities during the year. Property tax receipts for 2012 changed very little compared to 2011 as development within the Township has slowed.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

#### **Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

### **Reporting the Township as a Whole**

The statement of net position and the statement of activities reflect how the Township did financially during 2013 and 2012, within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental fund activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position and the statement of activities, the Township has one type of activity:

Governmental Activities – The Township's basic services are reported here. State and federal grants, gasoline tax, property taxes, local government distribution, utility reimbursement funds and the fire levy, finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

### **Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township consist only of governmental funds.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine

Clay Township  
 Gallia County, Ohio  
 Management's Discussion and Analysis  
 For the Years Ended December 31, 2013 and 2012

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whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Fire Levy Fund and FEMA Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

**The Township as a Whole**

Table 1 provides a summary of the Township's net position for 2013 compared to 2012 and 2011 on a cash basis:

(Table 1)  
**Net Position**

	Governmental Activities		
	2013	2012	2011
<b>Assets</b>			
Cash and Cash Equivalents	\$181,581	\$204,638	\$183,593
Total Assets	\$181,581	\$204,638	\$183,593
<b>Net Assets</b>			
Restricted for:			
Other Purposes	131,177	149,562	129,735
Unrestricted	50,404	55,076	53,858
Total Net Assets	\$181,581	\$204,638	\$183,593

As mentioned previously, net position of governmental activities decreased \$23,057 or 11.27 percent during 2013. The primary reasons contributing to the decreases in cash balances are as follows:

- Decrease in FEMA funds received.
- The Township had several roads that were in poor condition that needed extensive repairs.

As mentioned previously, net position of governmental activities increased \$21,045 or 11.46 percent during 2012. The primary reason contributing to the increases in cash balances is as follows:

- The Township received FEMA funds to repair extensive damage to roads due to natural disasters that occurred during 2011.

Table 2 reflects the changes in net position on a cash basis in 2013 comparing 2012 and 2011 for governmental activities.

Clay Township  
Gallia County, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012

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(Table 2)  
**Changes in Net Assets**

	Governmental Activities		
	2013	2012	2011
Receipts:			
Program Receipts:			
Operating Grants & Contributions	\$91,131	\$100,555	\$91,693
Capital Grants & Contributions		78,266	
Total Program Receipts	<u>91,131</u>	<u>178,821</u>	<u>91,693</u>
General Receipts:			
Property Taxes Levied for General Purposes	56,999	57,394	52,081
Other Local Taxes			514
Grants and Entitlements Not Restricted to Specific Programs	22,511	29,336	40,545
Interest	423	891	816
Miscellaneous	<u>839</u>	<u>17,825</u>	<u>94</u>
Total General Receipts	<u>80,772</u>	<u>105,446</u>	<u>94,050</u>
Total Receipts	<u>171,903</u>	<u>284,267</u>	<u>185,743</u>
Disbursements:			
General Government	25,835	31,475	27,700
Public Safety	51,408	49,579	43,760
Public Works	94,485	104,225	131,233
Human Services	2,442	1,900	2,413
Other	0	55,251	4,000
Debt Service:			
Principal Retirement	17,658	16,861	19,059
Interest and Fiscal Charges	<u>3,132</u>	<u>3,931</u>	<u>4,724</u>
Total Disbursements	<u>194,960</u>	<u>263,222</u>	<u>232,889</u>
Increase (Decrease) in Net Assets	(23,057)	21,045	(47,146)
Net Assets, January 1	<u>204,638</u>	<u>183,593</u>	<u>230,739</u>
Net Assets, December 31	<u>\$181,581</u>	<u>\$204,638</u>	<u>\$183,593</u>

For 2013, Program receipts represent only 53.01 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Utility Reimbursement Funds, Motor Vehicle License and Gasoline Tax monies.

For 2013, General receipts represent 46.98 percent of the Township's total receipts, and of this amount, over 70.56 percent are local taxes. State grants and entitlements make up 29.12 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Clay Township  
Gallia County, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012

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For 2012, Program receipts represent only 62.91 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as Utility Reimbursement Funds, Motor Vehicle License and Gasoline Tax monies.

For 2012, General receipts represent 37.09 percent of the Township's total receipts, and of this amount, over 54.43 percent are local taxes. State grants and entitlements make up 27.82 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

For both years, disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of trustees and the fiscal officer.

Public Safety is the cost of fire protection and Public Works is the cost of resurfacing and maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on pages 12 and 19 you will see the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. In 2013, the major program disbursements were Public Safety and Public Works, which account for 26.37 and 48.46 percent of all governmental activities, respectively. General Government also represents a significant cost, about 13.25 percent.

In 2012, the major program disbursements were Public Works and Other, which account for 38.08 and 22.51 percent of all governmental activities, respectively. General Government and Public Safety also represented a significant cost, about 11.96 and 18.84 percent respectively.

(Table 3)

	<b>Governmental Activities</b>					
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
	General Government	\$25,835	\$25,835	\$31,475	\$31,475	\$27,700
Public Safety	51,408	51,408	49,579	49,579	43,760	43,760
Public Works	94,485	3,354	104,225	(74,596)	131,233	131,233
Human Services	2,442	2,442	1,900	1,900	2,413	2,413
Other	-	-	55,251	55,251	4,000	4,000
Debt Service:						
Principal Retirement	17,658	17,658	16,861	16,861	19,059	19,059
Interest and Fiscal Charges	3,132	3,132	3,931	3,931	4,724	4,724
<b>Total Expenses</b>	<b>\$194,960</b>	<b>\$103,829</b>	<b>\$263,222</b>	<b>\$84,401</b>	<b>\$232,889</b>	<b>\$232,889</b>

The dependence upon property tax receipts is apparent as over 29 percent of governmental activities are supported through these general receipts in 2013 and 22 percent in 2012.

**The Township's Funds**

In 2013, total governmental funds had receipts of \$171,903 and disbursements of \$194,960. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund decreased \$15,793 in 2013.

In 2013, General Fund receipts were less than disbursements by \$4,672 indicating that the General Fund

Clay Township  
Gallia County, Ohio  
Management's Discussion and Analysis  
For the Years Ended December 31, 2013 and 2012

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is in a deficit spending situation.

In 2012, total governmental funds had receipts of \$284,267 and disbursements of \$263,222. The greatest change within governmental funds occurred within the Gasoline Tax Fund. The fund balance of the Gasoline Tax Fund increased \$12,688 in 2013.

In 2012, General Fund receipts were more than disbursements by \$1,179.

### **General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2013, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts agreed to original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$45,713 while actual disbursements were \$43,364. Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$4,672 for 2013.

During 2012, the Township amended its General Fund budget several times to reflect changing circumstances; final budgeted receipts above original budgeted receipts by \$7,262. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$48,025 while actual disbursements were \$44,503. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$1,179 for 2012.

### **Debt Administration**

#### **Debt**

At December 31, 2013, the Township's outstanding debt included \$48,033 in a loan for a tractor utilized by the Township to maintain roads. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

### **Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

### **Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Clay Township, Wanda Waugh, Fiscal Officer, 11126 State Route 7 South, Gallipolis, Ohio 45631.

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Net Position - Cash Basis*  
*December 31, 2013*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$181,581</u>
<i>Total Assets</i>	<u><u>\$181,581</u></u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	\$131,177
Unrestricted	<u>50,404</u>
<i>Total Net Position</i>	<u><u>\$181,581</u></u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2013*

	Cash	Program Cash Receipts	Net (Disbursements)
	Disbursements	Operating Grants and Contributions	Receipts and Changes in Net Assets Governmental Activities
<b>Governmental Activities</b>			
Current:			
General Government	\$25,835		(\$25,835)
Public Safety	51,408		(51,408)
Public Works	94,485	\$91,131	(3,354)
Human Services	2,442		(2,442)
Debt Service:			
Principal Retirement	17,658		(17,658)
Interest and Fiscal Charges	3,132		(3,132)
<i>Total Governmental Activities</i>	<u>194,960</u>	<u>91,131</u>	<u>(103,829)</u>
<b>Total Primary Government</b>	<b><u>\$194,960</u></b>	<b><u>\$91,131</u></b>	<b><u>(103,829)</u></b>
General Receipts:			
Property Taxes Levied for:			
General Purposes			56,999
Grants and Entitlements not Restricted to Specific Programs			22,511
Earnings on Investments			423
Miscellaneous			<u>839</u>
<b>Total General Receipts</b>			<u>80,772</u>
<i>Change in Net Position</i>			(23,057)
<i>Net Position Beginning of Year</i>			<u>204,638</u>
<i>Net Position End of Year</i>			<b><u>\$181,581</u></b>

See accompanying notes to the basic financial statements



**Clay Township**  
*Gallia County, Ohio*  
**Statement of Assets and Fund Balances - Cash Basis**  
*Governmental Funds*  
*December 31, 2013*

	General	Gasoline Tax	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$50,404	\$26,276	\$103,216	\$1,685	\$181,581
<i>Total Assets</i>	<u>\$50,404</u>	<u>\$26,276</u>	<u>\$103,216</u>	<u>\$1,685</u>	<u>\$181,581</u>
<b>Fund Balances</b>					
Restricted		\$26,276	\$103,216	\$1,685	\$131,177
Assigned	\$1,001				1,001
Unassigned (Deficit)	49,403				49,403
<i>Total Fund Balances</i>	<u>\$50,404</u>	<u>\$26,276</u>	<u>\$103,216</u>	<u>\$1,685</u>	<u>\$181,581</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
**Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis**  
**Governmental Funds**  
*For the Year Ended December 31, 2013*

	General	Gasoline Tax	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property and Other Local Taxes	\$18,807		\$38,192		\$56,999
Intergovernmental	19,020	\$80,554	7,490	\$6,578	113,642
Earnings on Investments	365	49		9	423
Miscellaneous	71				71
<i>Total Receipts</i>	<u>38,263</u>	<u>80,603</u>	<u>45,682</u>	<u>6,587</u>	<u>171,135</u>
<b>Disbursements</b>					
Current:					
General Government	25,835				25,835
Public Safety	11,087		40,321		51,408
Public Works	4,000	75,924	25	14,536	94,485
Human Services	2,442				2,442
Debt Service:					
Principal Retirement		17,658			17,658
Interest and Fiscal Charges		3,132			3,132
<i>Total Disbursements</i>	<u>43,364</u>	<u>96,714</u>	<u>40,346</u>	<u>14,536</u>	<u>194,960</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,101)</u>	<u>(16,111)</u>	<u>5,336</u>	<u>(7,949)</u>	<u>(23,825)</u>
<b>Other Financing Sources (Uses)</b>					
Other Financing Sources	429	318		21	768
<i>Total Other Financing Sources (Uses)</i>	<u>429</u>	<u>318</u>	<u>0</u>	<u>21</u>	<u>768</u>
<i>Net Change in Fund Balances</i>	(4,672)	(15,793)	5,336	(7,928)	(23,057)
<i>Fund Balances Beginning of Year</i>	<u>55,076</u>	<u>42,069</u>	<u>97,880</u>	<u>9,613</u>	<u>204,638</u>
<i>Fund Balances End of Year</i>	<u>\$50,404</u>	<u>\$26,276</u>	<u>\$103,216</u>	<u>\$1,685</u>	<u>\$181,581</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
**Statement of Receipts, Disbursements and Changes**  
*In Fund Balance - Budget and Actual - Budget Basis*  
**General Fund**  
*For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$20,205	\$20,205	\$18,807	(\$1,398)
Intergovernmental	17,452	17,452	19,020	1,568
Earnings on Investments	726	726	365	(361)
Miscellaneous			71	71
<i>Total Receipts</i>	<u>38,383</u>	<u>38,383</u>	<u>38,263</u>	<u>(120)</u>
<b>Disbursements</b>				
Current:				
General Government	29,130	27,803	25,835	1,968
Public Safety	10,183	11,283	11,087	196
Public Works			4,000	(4,000)
Human Services	2,400	2,627	2,442	185
<i>Total Disbursements</i>	<u>41,713</u>	<u>41,713</u>	<u>43,364</u>	<u>(1,651)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,330)</u>	<u>(3,330)</u>	<u>(5,101)</u>	<u>(1,771)</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources			429	429
Other Financing Uses	(4,000)	(4,000)	0	4,000
<i>Total Other Financing Sources (Uses)</i>	<u>(4,000)</u>	<u>(4,000)</u>	<u>429</u>	<u>4,429</u>
<i>Net Change in Fund Balance</i>	<u>(7,330)</u>	<u>(7,330)</u>	<u>(4,672)</u>	<u>2,658</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>55,076</u>	<u>55,076</u>	<u>55,076</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$47,746</u>	<u>\$47,746</u>	<u>\$50,404</u>	<u>\$2,658</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
**Statement of Receipts, Disbursements and Changes**  
*In Fund Balance - Budget and Actual - Budget Basis*  
**Gasoline Tax Fund**  
*For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	90,000	90,000	80,554	(9,446)
Earnings on Investments	250	250	49	(201)
<i>Total Receipts</i>	<u>90,250</u>	<u>90,250</u>	<u>80,603</u>	<u>(9,647)</u>
<b>Disbursements</b>				
Current:				
Public Works	94,458	94,458	75,924	18,534
Debt Service:				
Principal Retirement	17,658	17,658	17,658	0
Interest and Fiscal Charges	3,134	3,134	3,132	2
<i>Total Disbursements</i>	<u>115,250</u>	<u>115,250</u>	<u>96,714</u>	<u>18,536</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,000)</u>	<u>(25,000)</u>	<u>(16,111)</u>	<u>8,889</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources			318	318
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>318</u>	<u>318</u>
<i>Net Change in Fund Balance</i>	(25,000)	(25,000)	(15,793)	9,207
<i>Unencumbered Fund Balance Beginning of Year</i>	42,069	42,069	42,069	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$17,069</u>	<u>\$17,069</u>	<u>\$26,276</u>	<u>\$9,207</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Fire District Fund*  
*For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Property and Other Local Taxes	\$43,847	\$43,847	\$38,192	(\$5,655)
Intergovernmental	7500	7500	7490	(10)
<i>Total Receipts</i>	<u>51,347</u>	<u>51,347</u>	<u>45,682</u>	<u>(5,665)</u>
<b>Disbursements</b>				
Current:				
Public Safety	50,000	49,975	40,321	9,654
Public Works		25	25	0
<i>Total Disbursements</i>	<u>50,000</u>	<u>50,000</u>	<u>40,346</u>	<u>9,654</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,347</u>	<u>1,347</u>	<u>5,336</u>	<u>3,989</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	97,880	97,880	97,880	0
<i>Unencumbered Fund Balance End of Year</i>	<u>\$99,227</u>	<u>\$99,227</u>	<u>\$103,216</u>	<u>\$3,989</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Net Position - Cash Basis*  
*December, 31, 2012*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$204,638</u>
<i>Total Assets</i>	<u><u>\$204,638</u></u>
<b>Net Position</b>	
Restricted for:	
Other Purposes	\$149,562
Unrestricted	<u>55,076</u>
<i>Total Net Position</i>	<u><u>\$204,638</u></u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2012*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
		Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>				
Current:				
General Government	\$31,475			(\$31,475)
Public Safety	49,579			(49,579)
Public Works	104,225	\$100,555	\$78,266	74,596
Human Services	1,900			(1,900)
Other	55,251			(55,251)
Debt Service:				
Principal Retirement	16,861			(16,861)
Interest and Fiscal Charges	3,931			(3,931)
<i>Total Governmental Activities</i>	<u>263,222</u>	<u>100,555</u>	<u>78,266</u>	<u>(84,401)</u>
Total Primary Government	<u>\$263,222</u>	<u>\$100,555</u>	<u>\$78,266</u>	<u>(84,401)</u>
General Receipts:				
Property Taxes Levied for:				
General Purposes				57,394
Grants and Entitlements not Restricted to Specific Programs				29,336
Earnings on Investments				891
Miscellaneous				17,825
Total General Receipts				<u>105,446</u>
<i>Change in Net Position</i>				21,045
<i>Net Position Beginning of Year</i>				<u>183,593</u>
<i>Net Position End of Year</i>				<u>\$204,638</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
**Statement of Assets and Fund Balances - Cash Basis**  
*Governmental Funds*  
 December 31, 2012

	General	Gasoline Tax	Fire District	FEMA Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$55,076	\$42,069	\$97,880	-	\$9,613	\$204,638
<i>Total Assets</i>	<u>\$55,076</u>	<u>\$42,069</u>	<u>\$97,880</u>	<u>\$0</u>	<u>\$9,613</u>	<u>\$204,638</u>
<b>Fund Balances</b>						
Restricted		\$42,069	\$97,880		\$9,613	\$149,562
Assigned	\$7,330					7,330
Unassigned (Deficit)	47,746					47,746
<i>Total Fund Balances</i>	<u>\$55,076</u>	<u>\$42,069</u>	<u>\$97,880</u>	<u>\$0</u>	<u>\$9,613</u>	<u>\$204,638</u>

See accompanying notes to the basic financial statements



**Clay Township**  
*Gallia County, Ohio*  
**Statement of Receipts, Disbursements and Changes Fund Balances - Cash Basis**  
**Governmental Funds**  
*For the Year Ended December 31, 2012*

	General	Gasoline Tax	Fire District	FEMA	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$18,958		\$38,436			\$57,394
Intergovernmental	25,904	\$89,756	7,581	\$78,266	\$6,650	208,157
Earnings on Investments	726	137			28	891
Miscellaneous		58				58
<i>Total Receipts</i>	<u>45,588</u>	<u>89,951</u>	<u>46,017</u>	<u>78,266</u>	<u>6,678</u>	<u>266,500</u>
<b>Disbursements</b>						
Current:						
General Government	29,486	760	1,084		145	31,475
Public Safety	9,117		40,462			49,579
Public Works	4,000	70,984		25,415	3,826	104,225
Human Services	1,900					1,900
Debt Service:						
Principal Retirement		16,861				16,861
Interest and Fiscal Charges		3,931				3,931
<i>Total Disbursements</i>	<u>44,503</u>	<u>92,536</u>	<u>41,546</u>	<u>25,415</u>	<u>3,971</u>	<u>207,971</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,085</u>	<u>(2,585)</u>	<u>4,471</u>	<u>52,851</u>	<u>2,707</u>	<u>58,529</u>
<b>Other Financing Sources (Uses)</b>						
Other Financing Sources	94	17,673				17,767
Other Financing Uses		(2,400)		(52,851)		(55,251)
<i>Total Other Financing Sources (Uses)</i>	<u>94</u>	<u>15,273</u>	<u>0</u>	<u>(52,851)</u>	<u>0</u>	<u>(37,484)</u>
<i>Net Change in Fund Balances</i>	<u>1,179</u>	<u>12,688</u>	<u>4,471</u>	<u>0</u>	<u>2,707</u>	<u>21,045</u>
<i>Fund Balances Beginning of Year</i>	<u>53,897</u>	<u>29,381</u>	<u>93,409</u>	<u>0</u>	<u>6,906</u>	<u>183,593</u>
<i>Fund Balances End of Year</i>	<u>\$55,076</u>	<u>\$42,069</u>	<u>\$97,880</u>	<u>\$0</u>	<u>\$9,613</u>	<u>\$204,638</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$15,908	\$18,958	\$18,958	\$0
Intergovernmental	21,837	25,904	25,904	0
Earnings on Investments	581	726	726	0
<i>Total Receipts</i>	<i>38,326</i>	<i>45,588</i>	<i>45,588</i>	<i>0</i>
<b>Disbursements</b>				
Current:				
General Government	32,550	32,550	29,486	3,064
Public Safety	9,428	9,428	9,117	311
Public Works	0	0	4,000	(4,000)
Human Services	2,047	2,047	1,900	147
<i>Total Disbursements</i>	<i>44,025</i>	<i>44,025</i>	<i>44,503</i>	<i>(478)</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>(5,699)</i>	<i>1,563</i>	<i>1,085</i>	<i>(478)</i>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	94	94	94	0
Other Financing Uses	(4,000)	(4,000)	0	4,000
<i>Total Other Financing Sources (Uses)</i>	<i>(3,906)</i>	<i>(3,906)</i>	<i>94</i>	<i>4,000</i>
<i>Net Change in Fund Balance</i>	<i>(9,605)</i>	<i>(2,343)</i>	<i>1,179</i>	<i>3,522</i>
<i>Unencumbered Fund Balance Beginning of Year</i>	<i>53,897</i>	<i>53,897</i>	<i>53,897</i>	<i>0</i>
<i>Unencumbered Fund Balance End of Year</i>	<i>\$44,292</i>	<i>\$51,554</i>	<i>\$55,076</i>	<i>\$3,522</i>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Gasoline Tax Fund*  
*For the Year Ended December 31, 2012*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$66,675	\$90,000	\$89,756	(\$244)
Earnings on Investments	320	320	137	(183)
Miscellaneous	58	58	58	0
<i>Total Receipts</i>	<u>67,053</u>	<u>90,378</u>	<u>89,951</u>	<u>(427)</u>
<b>Disbursements</b>				
Current:				
General Government	1,068	1,068	760	308
Public Safety				0
Public Works	86,878	104,551	70,984	33,567
Debt Service:				
Principal Retirement	16,861	16,861	16,861	0
Interest and Fiscal Charges	3,931	3,931	3,931	0
<i>Total Disbursements</i>	<u>108,738</u>	<u>126,411</u>	<u>92,536</u>	<u>33,875</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(41,685)</u>	<u>(36,033)</u>	<u>(2,585)</u>	<u>33,448</u>
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	23,267	23,267	17,673	(5,594)
Other Financing Uses	(2,400)	(2,400)	(2,400)	0
<i>Total Other Financing Sources (Uses)</i>	<u>20,867</u>	<u>20,867</u>	<u>15,273</u>	<u>(5,594)</u>
<i>Net Change in Fund Balance</i>	<u>(20,818)</u>	<u>(15,166)</u>	<u>12,688</u>	<u>27,854</u>
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>29,381</u>	<u>29,381</u>	<u>29,381</u>	<u>0</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$8,563</u>	<u>\$14,215</u>	<u>\$42,069</u>	<u>\$27,854</u>

See accompanying notes to the basic financial statements

**Clay Township**  
*Gallia County, Ohio*  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Fire District Fund*  
*For the Year Ended December 31, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$42,765	\$42,765	\$38,436	(\$4,329)
Intergovernmental	6750	6750	7581	831
<i>Total Receipts</i>	49,515	49,515	46,017	(3,498)
<b>Disbursements</b>				
Current:				
General Government	1,563	1,563	1,084	479
Public Safety	51,937	51,937	40,462	11,475
Public Works				0
<i>Total Disbursements</i>	53,500	53,500	41,546	11,954
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,985)	(3,985)	4,471	8,456
<i>Unencumbered Fund Balance Beginning of Year</i>	93,409	93,409	93,409	0
<i>Unencumbered Fund Balance End of Year</i>	\$89,424	\$89,424	\$97,880	\$8,456

See accompanying notes to the basic financial statements

Clay Township  
Gallia County, Ohio  
Notes to the Basic Financial Statements  
For the Years Ended December 31, 2013 and 2012

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**Note 1 – Reporting Entity**

Clay Township, Gallia County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the Village of the City of Gallipolis for fire protection. Police protection is provided by the Gallia County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board; and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. The Township has no component units.

C. Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority (OTARMA)

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in the Basis of Accounting section of this Note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements. Following are the more significant of the Township's accounting policies.

**Note 2 – Summary of Significant Accounting Policies** (Continued)

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

**General** - The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Gasoline Tax Fund** - The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

**Note 2 – Summary of Significant Accounting Policies** (Continued)

**B. Fund Accounting** (Continued)

Fire Levy Fund - The fire levy fund accounts for and reports the property tax revenues and expenditures are for equipment and supplies and other expenses related to provide for fire and emergency services for Township residents and other residents.

FEMA Fund – The FEMA fund accounts for federal receipts and expenditures related to a natural disaster declaration in 2011.

The other governmental funds of the Township account for and report grants and other resources, whose use is restricted, committed or assigned to a particular purpose.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**Note 2 – Summary of Significant Accounting Policies** (Continued)

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 was \$365. Interest receipts credited to the General Fund during 2012 was \$726.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

**G. Inventory and Prepaid Items**

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement healthcare benefits.

**J. Net Position**

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for road maintenance and fire protection.

**K. Fund Balance**

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:



**Note 2 – Summary of Significant Accounting Policies** (Continued)

**K. Fund Balance** (Continued)

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans. The Township had no nonspendable balances for 2013 and 2012.

Restricted - Fund balance is reported as 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. The Township had restricted balances in the Gasoline Tax Fund, Fire Levy Fund and Other Governmental Funds for 2013 and 2012.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The Township had no committed fund balances for 2013 and 2012.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township had assigned balances in the General Fund for 2013 and 2012.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance. The Township had unassigned balances in the General Fund for 2013 and 2012.

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

**Note 3 – Change in Accounting Principle**

For 2012, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This change was incorporated in the Township’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.

**Note 4 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and the major special revenue funds (Gasoline Tax Fund and Fire District Fund) are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. Since encumbrances outstanding at year-end are cancelled and re-appropriated in the succeeding year there is essentially no difference between cash and budget basis reporting.

**Note 5 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Note 5 – Deposits and Investments** (Continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions

Deposits

The Township has a deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured. The financial institution of the Township monitors the account and secures the balance over \$250,000 and sends a statement to the Township.

**Note 6 – Property Taxes**

Property taxes include amounts levied against all real and public utility property located in the Township. Property tax revenue received during 2013 and 2012 for real and public utility property taxes represents collections of 2012 and 2011 taxes.

2011 real property taxes are levied after October 1, 2012, on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012. Also, 2012 real property taxes are collected in and intended to finance 2013. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

The Township did not receive any money for Public Utility Tax or Tangible Personal Property Tax for 2013 or 2012.

The full tax rate for all Township operations for the year ended December 31, 2013 and 2012, was \$2.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2013 and property tax receipts were based are as follows:

Clay Township  
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**Note 6 – Property Taxes** (Continued)

	2013	2012
Real Property		
Residential and Agriculture	\$22,979,060	\$23,228,010
Real Estate Other	\$652,787	\$608,849
Public Utility Personal Property	1,063,670	1,063,670
Total	\$24,695,517	\$24,900,529

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.), (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

**Note 7 – Risk Management** (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>		
2013	\$	3,472
2012	\$	3,508
2011	\$	3,476

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 8 – Defined Benefit Pension Plan**

Ohio Public Employees Retirement System

Plan Description – The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Township participates only in the traditional plan.

**Note 8 – Defined Benefit Pension Plan** (Continued)

Ohio Public Employees Retirement System (Continued)

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in the State and local divisions. For the year ended December 31, 2013, members in the state and local divisions contributed 10 percent of covered payroll.

The Township's 2013 contribution rate was 14 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent during 2012 and 1 percent during 2013. Employer contribution rates are actuarially determined.

The Township's required contributions for pension obligations to the Traditional Pension for the years ended December 31, 2013, 2012, and 2011 were \$5,583, \$5,321 and \$5,002, respectively; the full amount has been contributed for 2013, 2012 and 2011.

**Note 9 - Postemployment Benefits**

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

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**Note 9 - Postemployment Benefits** (Continued)

Ohio Public Employees Retirement System (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013 and 2012, state and local employers contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent during 2012 and 1 percent during 2013.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$399, \$1,520, and \$1,429, respectively; the full amount has been contributed for 2013, 2012 and 2011.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates have not increased between 2011 and 2014.

**Note 10 – Debt**

The Township's long-term debt activity for the year ended December 31, 2013, was as follows:

	Amount Outstanding 12/31/12	Additions	Deletions	Amount Outstanding 12/31/13	Amounts Due in One Year
Governmental Activities:					
Kubota Tractor	\$58,707		\$10,674	\$48,033	\$11,186
Case Backhoe	\$6,984		\$6,984	\$0	\$0
	\$65,691	\$0	\$17,658	\$48,033	\$11,186
	\$65,691	\$0	\$17,658	\$48,033	\$11,186

The Township's long-term debt activity for the year ended December 31, 2012, was as follows:

	Amount Outstanding 12/31/11	Additions	Deletions	Amount Outstanding 12/31/12	Amounts Due in One Year
Governmental Activities:					
Kubota Tractor	\$68,904		\$10,197	\$58,707	\$10,674
Case Backhoe	\$13,649		\$6,665	\$6,984	\$6,984
	\$82,553	\$0	\$16,861	\$65,691	\$17,658
	\$82,553	\$0	\$16,861	\$65,691	\$17,658

The loans are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

Clay Township  
Gallia County, Ohio  
Notes to the Basic Financial Statements  
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**Note 10 – Debt** (Continued)

The following is a summary of the Township’s future annual debt service requirements:

Year	Loan	
	Principal	Interest
2014	\$11,186	\$2,289
2015	11,719	1,756
2016	12,277	1,198
2017	12,851	615
Total	\$48,033	\$5,858

**Note 11 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for 2013:

Fund Balances	General	Gasoline Tax	Fire District	Other Governmental Funds	Total
<b>Restricted for</b>					
Road and Bridge		\$26,276		\$1,685	\$27,961
Fire Protection			\$103,216		103,216
<i>Total Restricted</i>		26,276	103,216	1,685	131,177
<b>Assigned to</b>					
Budgetary Resources	\$1,001				1,001
<b>Unassigned (Deficit)</b>	49,403				49,403
<i>Total Fund Balances</i>	\$50,404	\$26,276	\$103,216	\$1,685	\$181,581

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below for 2012:



Clay Township  
 Gallia County, Ohio  
 Notes to the Basic Financial Statements  
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**Note 11 – Fund Balances** (Continued)

Fund Balances	General	Gasoline Tax	Fire District	Other Governmental Funds	Total
<b>Restricted for</b>					
Road and Bridge		\$42,069		\$9,613	\$51,682
Fire Protection			\$97,880		97,880
<i>Total Restricted</i>	\$0	42,069	97,880	9,613	149,562
<b>Assigned to</b>					
Budgetary Resources	7,330				7,330
<b>Unassigned (Deficit)</b>	47,746				47,746
<i>Total Fund Balances</i>	<u>\$55,076</u>	<u>\$42,069</u>	<u>\$97,880</u>	<u>\$9,613</u>	<u>\$204,638</u>

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# Dave Yost • Auditor of State

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

Clay Township  
Gallia County  
11126 State Route 7 South  
Gallipolis, Ohio 45631

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay Township, Gallia County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 2, 2014, wherein we noted the Township has adopted Governmental Accounting Standards Board Statement No. 54.

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 2, 2014



# Dave Yost • Auditor of State

**CLAY TOWNSHIP**

**GALLIA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 17, 2014**