

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

AUDIT REPORT

JANUARY 1, 2013 - DECEMBER 31, 2014



Dave Yost • Auditor of State

Board of Trustees
Clay Township
9375 Elks Run Road
Roseville, Ohio 43777

We have reviewed the *Independent Auditor's Report* of Clay Township, Muskingum County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Clay Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 12, 2015

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**CLAY TOWNSHIP
MUSKINGUM COUNTY
JANUARY 1, 2013 - DECEMBER 31, 2014**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Clay Township
Muskingum County
9375 Elks Run Road
Roseville, Ohio 43777

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Clay Township, Muskingum County, as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonable determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Clay Township, Muskingum County as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

During the audit period January 1, 2009 to December 31, 2010, the Township improperly paid salaries and benefits for Trustees from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$29,268, and from the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$4,183, that should have been paid from the General Fund, in the amount of \$33,451. The Township declined to make this adjustment.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, based on the effects of the matters described in the basis for Adverse Opinion on Regulatory Basis paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Clay Township, Muskingum County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 29, 2015, on our consideration of Clay 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 29, 2015

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 10,348	\$ 25,819	\$ 36,167
Intergovernmental	9,582	93,444	103,026
Earnings on Investments	752	-	752
Total Cash Receipts	<u>20,682</u>	<u>119,263</u>	<u>139,945</u>
Cash Disbursements:			
Current:			
General Government	20,857	-	20,857
Public Safety	-	308	308
Public Works	806	83,147	83,953
Total Cash Disbursements	<u>21,663</u>	<u>83,455</u>	<u>105,118</u>
Net Change in Fund Cash Balance	(981)	35,808	34,827
Fund Cash Balances, January 1	<u>11,874</u>	<u>333,933</u>	<u>345,807</u>
Fund Cash Balances, December 31			
Restricted	-	369,741	369,741
Unassigned (Deficit)	10,893	-	10,893
Fund Cash Balances, December 31	<u>\$ 10,893</u>	<u>\$ 369,741</u>	<u>\$ 380,634</u>

See notes to financial statements.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 12,218	\$ 36,333	\$ 48,551
Intergovernmental	10,861	97,117	107,978
Earnings on Investments	710	-	710
Total Cash Receipts	<u>23,789</u>	<u>133,450</u>	<u>157,239</u>
Cash Disbursements:			
Current:			
General Government	27,691	-	27,691
Public Safety	-	14,748	14,748
Public Works	-	53,326	53,326
Capital Outlay	-	24,233	24,233
Total Cash Disbursements	<u>27,691</u>	<u>92,307</u>	<u>119,998</u>
Net Change in Fund Cash Balance	(3,902)	41,143	37,241
Fund Cash Balances, January 1	<u>15,776</u>	<u>292,790</u>	<u>308,566</u>
Fund Cash Balances, December 31			
Restricted	-	333,933	333,933
Unassigned (Deficit)	11,874	-	11,874
Fund Cash Balances, December 31	<u>\$ 11,874</u>	<u>\$ 333,933</u>	<u>\$ 345,807</u>

See notes to financial statements.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clay Township, Muskingum County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Roseville Volunteer Fire Department to provide fire services and emergency medical services.

The Township participates in the Ohio Township Association Risk management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provides additional information for this entity. These organizations are:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk management Authority (OTARMA) a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

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

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

Road & Bridge Fund – This fund receives property tax monies to maintain Township roads and bridges.

Fire Levy Fund – This fund receives property tax monies to pay for fire protection services.

E. 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 and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. 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.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. 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.

G 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.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2014	2013
Demand deposits	\$ 380,634	\$ 345,807
	\$ 380,634	\$ 345,807

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 21,466	\$ 20,682	\$ (784)
Special Revenue	138,271	119,263	(19,008)
Total	\$ 159,737	\$ 139,945	\$ (19,792)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 33,251	\$ 21,663	\$ 11,588
Special Revenue	419,018	83,455	335,563
Total	\$ 452,269	\$ 105,118	\$ 347,151

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 23,097	\$ 23,789	\$ 692
Special Revenue	114,796	133,450	18,654
Total	\$ 137,893	\$ 157,239	\$ 19,346

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 32,517	\$ 27,691	\$ 4,826
Special Revenue	371,062	92,307	278,755
Total	\$ 403,579	\$ 119,998	\$ 283,581

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

Contrary to ORC 5705.41(D), the Township had invoices dated prior to certification.

Contrary to ORC 5705.41(B), the Fire fund had expenditures greater than appropriations by \$1,674 in 2013.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

5. RETIREMENT SYSTEMS

The Township's full-time employees and elected officials belong to the Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple employer plan. The Ohio Revised Code prescribes the plan benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2014.

6. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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.) 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

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, 2014 and 2013 (the latest information available):

	2014	2013
Assets	\$35,970,263	\$34,954,286
Liabilities	(8,912,432)	(8,486,363)
Retained Earnings	\$27,057,831	\$26,467,923

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$8.2 and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 and \$7.4 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$1,929.

Based on discussion 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.

Contributions to OTARMA	
2014	\$3,709
2013	3,665

After completing 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.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS.**

Clay Township
Muskingum County
9375 Elks Run Road
Roseville, Ohio 43777

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Clay Township, Muskingum County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated August 29, 2015, which was adverse as the Township did not make prior audit adjustments. We also noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Clay 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider Finding 2014-02 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed three instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01, 2014-03 and 2014-04.

Entity's Response to Finding

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

We noted certain matters not requiring inclusion in this report that we have reported to the management of the Clay Township in a separate letter dated August 29, 2015.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 29, 2015

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01

Noncompliance

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

- If the fiscal officer can certify that both at the time that the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.
- Blanket Certificates. Fiscal officers may prepare "blanket" certificates if the Township has approved their use and established maximum amounts.
- Super Blanket Certificates. The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01 (Continued)

The Township did not certify the availability of funds prior to the purchase commitment for 19% of expenditures tested. For these item the Township also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Township certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We received no response from client.

FINDING NUMBER 2014-02

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public officer to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

During our review of the financial statements for 2013, we noted the following adjustments and reclassifications.

- Disbursements for Federal and State tax withholdings were overstated in the General Fund (General Government disbursements) and Gasoline Tax Fund (Public Works Disbursements) by \$2,372 and \$3,445, respectively.
- Motor Vehicle License receipts in the amount of \$4,452 were posted to Licenses, Permits and Fees in the Motor Vehicle License Fund instead of Intergovernmental Receipts.
- Gasoline Tax receipts in the amount of \$90,315 were posted to Licenses, Permits and Fees in the Gasoline Tax Fund instead of Intergovernmental Receipts.
- Disbursements in the amount of \$3,958 and \$31,299, respectively in the Motor Vehicle License Fund and Gasoline Tax Fund were reclassified to Public Works disbursements instead of General Government.
- Fund balance classifications were made for the General and Special Revenue Funds on the financial statements.

During our review of the financial statements for 2014, we noted the following adjustments and reclassifications.

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-02 (Continued)

During our review of the financial statements for 2014, we noted the following adjustments and reclassifications.

- Disbursements for Federal and State tax withholdings were overstated in the General Fund (General Government disbursements) and Gasoline Tax Fund (Public Works Disbursements) by \$2,327 and \$2,750, respectively.
- Motor Vehicle License receipts in the amount of \$4,469 were posted to Licenses, Permits and Fees in the Motor Vehicle License Fund instead of Intergovernmental Receipts.
- Gasoline Tax receipts in the amount of \$86,714 were posted to Licenses, Permits and Fees in the Gasoline Tax Fund instead of Intergovernmental Receipts.
- Rollback receipts in the amount of \$1,271 and \$990 were posted to Property and Other Local Taxes instead of Intergovernmental Receipts in the Road and Bridge Fund and Fire Levy Fund, respectively.
- Disbursements in the amount of \$69,659 in the Gasoline Tax Fund were reclassified to Public Works disbursements instead of General Government and Public Safety. Disbursements in the amount of \$451 were reclassified to Public Works instead of General Government in the Road and Bridge Fund. Disbursements in the amount of \$308 were reclassified to Public Safety instead of General Government in the Fire Levy Fund..
- Fund balance classifications were made for the General and Special Revenue Funds on the financial statements.

These adjustments to which management agrees have been posted to the Township's financial statements.

We recommend the Fiscal Officer exercise additional care when preparing the year-end financial statements. The Ohio Township handbook is an available resource to use as a guide for classification of receipts and disbursements.

Client Response: We received no response from the client.

FINDING NUMBER 2014-03

Noncompliance

Ohio Revised Code Section 5747.06(A) states in part that the employer shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively pays the compensation to, or credits the compensation to, or credits the compensation to the benefits of, the employee.

The Township withheld state income taxes during 2013 and 2014 for the employees, but did not remit the required withholdings to the State of Ohio totaling \$1,388 and \$1,266, respectively. In addition prior period totals of \$2,109, from 2011-2012 had been withheld and not remitted to the State of Ohio. Failure to withhold and remit taxes could subject the Township to fines and penalties. We recommend the Township withhold the required state taxes and remit the taxes to the Treasurer of State in a timely fashion.

Client Response: We received no response from the client

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-04

Noncompliance

26 U.S.C Section 3102(a) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During 2013 and 2014, the Township withheld federal taxes and Medicare from employees' pay, but the withholdings were not remitted to the Internal Revenue Service in the amount of \$4,429 and \$3,811, respectively. In addition prior period totals of \$8,105, from 2011-2012 had been withheld and not remitted to the Internal Revenue Service. Failure to withhold and remit taxes could subject the Township to fines and penalties. We recommend the Township withhold the required federal taxes and Medicare and remit the taxes to the Internal Revenue Service promptly.

Client Response: We received no response from the client

**CLAY TOWNSHIP
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	Material Weakness Reclassifications and adjustments	No	Not Corrected - Refer to Findng 2014-02
2012-002	ORC 5705.41(D)(1) Fiscal Certificates Dated After Invoices Appropriations	No	Not Corrected - Refer to Findng 2014-01
2012-003	Noncompliance Ohio Revised Code 5747.06(A) tax withheld and remitted	No	Not Corrected - Refer to Findng 2014-03
2012-004	Noncompliance 26 USC Section 3102(a) federal tax/Medicare withheld and remitted	No	Not Corrected - Refer to Findng 2014-04

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Dave Yost • Auditor of State

CLAY TOWNSHIP

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 24, 2015**