



Dave Yost • Auditor of State



CLAY TOWNSHIP  
MUSKINGUM COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Clay Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

During the prior audit for the 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, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Clay Township, Muskingum County, Ohio, as of December 31, 2012 and 2011, 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 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during 2011 Clay Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2013, 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 initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 2, 2013

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**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$13,472	\$38,754	\$52,226
Intergovernmental	11,365	86,852	98,217
Miscellaneous	839		839
<i>Total Cash Receipts</i>	<u>25,676</u>	<u>125,606</u>	<u>151,282</u>
<b>Cash Disbursements</b>			
Current:			
General Government	19,468		19,468
Public Safety	72	7,107	7,179
Public Works		43,105	43,105
Capital Outlay		43,262	43,262
<i>Total Cash Disbursements</i>	<u>19,540</u>	<u>93,474</u>	<u>113,014</u>
<i>Net Change in Fund Cash Balances</i>	6,136	32,132	38,268
<i>Fund Cash Balances, January 1</i>	<u>9,640</u>	<u>260,658</u>	<u>270,298</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		292,790	292,790
Unassigned (Deficit)	<u>15,776</u>		<u>15,776</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$15,776</u></u>	<u><u>\$292,790</u></u>	<u><u>\$308,566</u></u>

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

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$12,050	\$33,544	\$45,594
Intergovernmental	15,856	92,569	108,425
Miscellaneous	839	225,000	225,839
<i>Total Cash Receipts</i>	<u>28,745</u>	<u>351,113</u>	<u>379,858</u>
<b>Cash Disbursements</b>			
Current:			
General Government	24,969		24,969
Public Safety	72	2,638	2,710
Public Works		46,994	46,994
Capital Outlay		254,268	254,268
<i>Total Cash Disbursements</i>	<u>25,041</u>	<u>303,900</u>	<u>328,941</u>
<i>Net Change in Fund Cash Balances</i>	3,704	47,213	50,917
<i>Fund Cash Balances, January 1</i>	<u>5,936</u>	<u>213,445</u>	<u>219,381</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		260,658	260,658
Unassigned (Deficit)	<u>9,640</u>		<u>9,640</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,640</u></u>	<u><u>\$260,658</u></u>	<u><u>\$270,298</u></u>

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

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**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 publicly-elected three-member Board of Trustees directs the Township. The Township provides 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), a risk sharing pool available to Ohio Townships. Note 6 to the financial statements provides additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. 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:

**1. General Fund**

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

**2. 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:

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**E. 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.

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**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.

**F. 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.

**2. Equity in Pooled Deposits**

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

	2012	2011
Demand deposits	\$308,566	\$270,298

Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$22,497	\$25,676	\$3,179
Special Revenue	113,844	125,606	11,762
Total	\$136,341	\$151,282	\$14,941

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,866	\$19,540	\$5,326
Special Revenue	358,498	93,474	265,024
Total	\$383,364	\$113,014	\$270,350

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,920	\$28,745	\$6,825
Special Revenue	335,191	351,113	15,922
Total	\$357,111	\$379,858	\$22,747

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,091	\$25,041	\$2,050
Special Revenue	531,740	303,900	227,840
Total	\$558,831	\$328,941	\$229,890

**4. Property Tax**

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

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

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

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

**5. Retirement System**

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

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. Retirement System (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**6. Risk Management**

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

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:

	<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>

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.

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. Risk Management (Continued)**

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>	
<b><u>2012</u></b>	<b><u>2011</u></b>
\$3,658	\$3,651

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.

**7. Contingent Liabilities**

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.





# 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  
Muskingum County  
9375 Elks Run Road  
Roseville, Ohio 43777

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 Clay Township, Muskingum County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 2, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also issued an adverse opinion on the 2012 and 2011 financial statements due to the Township declining to make adjustments from the 2010-2009 audit period for improper postings.

### ***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 opinion 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 preceding 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 2012-001 described in the accompanying Schedule of Findings to be a material weakness.

743 East State Street, Athens Mall Suite B, Athens, Ohio 45701-2157  
Phone: 740-594-3300 or 800-441-1389 Fax: 740-594-2110

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***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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-002 through 2012-004.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 2, 2013

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**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 2011, we noted the following adjustments or reclassifications, as follows:

- Miscellaneous Receipts in the amount of \$839 were incorrectly posted as Other Financing Sources in the General Fund.
- Disbursements for Federal and State tax withholdings were overstated in the General Fund (General Government disbursement) and Gas Tax Fund (Public Works disbursement) by \$1,117 and \$1,590, respectively.
- A portion of the General Fund balance was classified as Committed instead of Unassigned and the remaining balance of the General Fund was not classified on the financial statements. Therefore, adjustments were made to remove the portion posted as Committed and to include the entire General Fund balance as Unassigned in the amounts of \$863 and \$9,640, respectively.
- A portion of the Special Revenue Fund balance was classified as Committed instead of Restricted and the remaining balance of the Special Revenue Fund was not classified on the financial statements. Therefore, adjustments were made to remove the portion posted as Committed and to include the entire Special Revenue balance as Restricted in the amounts of \$7,179 and \$260,658, respectively.

During our review of the financial statements for 2012, we noted the following adjustments or reclassifications, as follows:

- Miscellaneous Receipts were understated in the General Fund in the amount of \$839.
- Intergovernmental Receipts were understated in the Motor Vehicle License and Gas Tax Funds by \$380 and \$7,447, respectively.
- Motor Vehicle License receipts in the amount of \$4,121 were posted as Licenses, Permits and Fees in the Motor Vehicle License Fund instead of Intergovernmental receipts.
- Gas tax receipts in the amount of \$72,800 were posted as Licenses, Permits and Fees in the Gas Tax Fund instead of Intergovernmental receipts.
- Public Works Disbursements were understated in the Road and Bridge Fund by \$2,275.
- Disbursements for Federal and State tax withholdings were overstated in the General Fund (General Government disbursement) and Gas Tax Fund (Public Works disbursement) by \$3,455 and \$4,052, respectively.
- The General Fund balance of \$15,776 was not classified as Unassigned.
- A portion of the Special Revenue Fund balance in the amount of \$272,770 was not classified as Restricted.

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-001 (Continued)**

**Material Weakness (Continued)**

These adjustments, with 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.

**FINDING NUMBER 2012-002**

**Noncompliance**

Ohio Rev. Code Section 5705.41(D)(1) 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

Then and Now Certificate - If the fiscal officer can certify that both at the time 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 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 resolution or ordinance. Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Township upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-002 (Continued)**

**Noncompliance – Ohio Rev. Code Section 5705.41(D)(1) (Continued)**

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Nineteen percent of the non-payroll transactions tested in 2011 did not have the prior certification of the Fiscal Officer, nor was there any evidence the Fiscal Officer was using a “then and now” certificate.

Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

**FINDING NUMBER 2012-003**

**Noncompliance**

Ohio Rev. 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 2011 and 2012 for the employees, but did not remit the required withholdings to the State of Ohio for the third and fourth quarters of 2011 totaling \$703 and for all of 2012 totaling \$1,406. Failure to withhold and remit taxes could subject the Township to fines and penalties.

We recommend the Township withhold the required state income taxes and remit the taxes to the Treasurer of State in a timely fashion.

CLAY TOWNSHIP  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011  
(Continued)

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-004

**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 2011 and 2012, the Township withheld federal taxes and Medicare from the employees' pay, but the withholdings were not remitted to the Internal Revenue Services for the second, third, or fourth quarters of 2011 totaling \$3,467 and all of 2012 totaling \$4,638.

We recommend the Township withhold the proper federal taxes and Medicare and remit it promptly to the Internal Revenue Service, along with the employer share of Medicare.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

**CLAY TOWNSHIP  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2010-01	Ohio Rev. Code Section 505.24(C), Finding for Adjustment and Material Weakness for Trustees' Compensation.	No	Not corrected for 2010-09; Finding for Adjustment remains un-posted to the accounting records resulting in an adverse opinion for 2012-11.  Noncompliance citation partially corrected for 2012-11; reported in the Management Letter.
2010-02	Ohio Rev. Code Section 5705.41(D)(1), no prior certification of availability of fund.	No	Not corrected; reported in the Schedule of Findings as Finding Number 2012-002.
2010-03	Material Weakness for not properly posting budgeted receipts and appropriations within the accounting system.	No	Partially corrected; reported in the Management Letter

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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  
OCTOBER 17, 2013**