



Dave Yost • Auditor of State



CLARK TOWNSHIP  
CLINTON COUNTY

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# Dave Yost • Auditor of State

Clark Township  
Clinton County  
8113 Farmers Road  
New Vienna, Ohio 45159

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Dave Yost**  
Auditor of State

July 6, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Clark Township  
Clinton County  
8113 Farmers Road  
New Vienna, Ohio 45159

To the Board of Trustees:

We have audited the accompanying financial statements of Clark Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Clark Township, Clinton County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Dave Yost**  
Auditor of State

July 6, 2011



CLARK TOWNSHIP  
CLINTON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$18,241	\$90,278	\$0	\$0	\$0	\$108,519
Charges for Services		35,601				35,601
Intergovernmental	16,293	119,294		50,956		186,543
Earnings on Investments	858	161				1,019
Miscellaneous	1,099	5				1,104
<b>Total Cash Receipts</b>	<u>36,491</u>	<u>245,339</u>	<u>0</u>	<u>50,956</u>	<u>0</u>	<u>332,786</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	49,657	74,861				124,518
Public Safety		39,894				39,894
Public Works		59,594				59,594
Health	1,200				21	1,221
Capital Outlay		322		50,956		51,278
Debt Service:						
Redemption of Principal		4,434				4,434
Interest and Other Fiscal Charges		712				712
<b>Total Cash Disbursements</b>	<u>50,857</u>	<u>179,817</u>	<u>0</u>	<u>50,956</u>	<u>21</u>	<u>281,651</u>
Total Receipts Over/(Under) Disbursements	<u>(14,366)</u>	<u>65,522</u>	<u>0</u>	<u>0</u>	<u>(21)</u>	<u>51,135</u>
<b>Other Financing Receipts:</b>						
Sale of Fixed Assets	5,009					5,009
						0
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>5,009</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,009</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(9,357)	65,522	0	0	(21)	56,144
Fund Cash Balances, January 1	53,449	157,409	325	0	8,590	219,773
<b>Fund Cash Balances, December 31</b>	<u><b>\$44,092</b></u>	<u><b>\$222,931</b></u>	<u><b>\$325</b></u>	<u><b>\$0</b></u>	<u><b>\$8,569</b></u>	<u><b>\$275,917</b></u>
Reserve for Encumbrances, December 31	<u>\$586</u>	<u>\$810</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,396</u>

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

**CLARK TOWNSHIP  
CLINTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$18,449	\$66,036	\$1,461	\$0	\$0	\$85,946
Charges for Services		33,052				33,052
Intergovernmental	111,348	119,760	223	92,687		324,018
Earnings on Investments	169	59				228
Miscellaneous	805	491				1,296
<b>Total Cash Receipts</b>	<u>130,771</u>	<u>219,398</u>	<u>1,684</u>	<u>92,687</u>	<u>0</u>	<u>444,540</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	52,110	63,379				115,489
Public Safety		40,021				40,021
Public Works	50	73,814				73,864
Health	1,560				15	1,575
Capital Outlay		76,030		92,687		168,717
Debt Service:						
Redemption of Principal		4,170	10,000			14,170
Interest and Other Fiscal Charges		767	425			1,192
<b>Total Cash Disbursements</b>	<u>53,720</u>	<u>258,181</u>	<u>10,425</u>	<u>92,687</u>	<u>15</u>	<u>415,028</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>77,051</u>	<u>(38,783)</u>	<u>(8,741)</u>	<u>0</u>	<u>(15)</u>	<u>29,512</u>
<b>Other Financing Receipts:</b>						
Other Debt Proceeds		12,542				12,542
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>0</u>	<u>12,542</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,542</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>77,051</u>	<u>(26,241)</u>	<u>(8,741)</u>	<u>0</u>	<u>(15)</u>	<u>42,054</u>
<b>Fund Cash Balances, January 1</b>	<u>(23,602)</u>	<u>183,650</u>	<u>9,066</u>	<u>0</u>	<u>8,605</u>	<u>177,719</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$53,449</b></u>	<u><b>\$157,409</b></u>	<u><b>\$325</b></u>	<u><b>\$0</b></u>	<u><b>\$8,590</b></u>	<u><b>\$219,773</b></u>

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

**CLARK TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009**

**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 Clark Township, Clinton County, Ohio (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 participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. The pool provides insurance and bonding coverage for the Township. Note 7 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. 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.

**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:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**CLARK TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

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

Fire and Rescue Fund – This fund receives property tax money used for fire protection.

Ambulance and EMS Service Fund – This fund receives property tax money and charges for services used for Emergency Medical Services.

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

Ambulance Bonds Debt Service Fund – This fund receives property tax revenue used to service the debt for the Township's Emergency Vehicle Bonds.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Public Works Commission Fund - The Township received a grant from the State of Ohio for Doak Road reconstruction in 2009 and Hildebrant Road reconstruction in 2010.

**5. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund

Cemetery Carr Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**E. 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. Unencumbered appropriations lapse at year end.

**CLARK TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

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

**2. 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 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 carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**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 and Investments**

The Township maintains a deposit and investments 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:

	2010	2009
Demand deposits	\$268,917	\$212,773
Certificates of deposit	7,000	7,000
Total deposits	275,917	219,773

**Deposits:** Deposits are 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 ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,006	\$41,500	\$2,494
Special Revenue	237,292	245,339	8,047
Capital Projects	0	50,956	50,956
Permanent	155	0	(155)
Total	\$276,453	\$337,795	\$61,342

**CLARK TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,455	\$51,443	\$41,012
Special Revenue	394,702	180,627	214,075
Debt Service	325	0	325
Capital Projects	50,956	50,956	0
Permanent	8,745	21	8,724
Total	\$547,183	\$283,047	\$264,136

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$132,893	\$130,771	(\$2,122)
Special Revenue	200,961	231,940	30,979
Debt Service	1,674	1,684	10
Capital Projects	0	92,687	92,687
Permanent	155	0	(155)
Total	\$335,683	\$457,082	\$121,399

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,558	\$53,720	\$2,838
Special Revenue	342,684	258,181	84,503
Debt Service	10,740	10,425	315
Capital Projects	92,687	92,687	0
Permanent	8,110	15	8,095
Total	\$510,779	\$415,028	\$95,751

Contrary to Ohio law, budgetary appropriations were not maintained at the legal level of control.

Contrary to Ohio law, the township did not use the encumbrance method of accounting.

**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.

**CLARK TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax (Continued)**

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. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Defibrillator Lease Purchase	\$4,886	8%

The Township entered into a lease purchase agreement to finance the purchase of a defibrillator for Township Emergency Medical Services

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

	Defibrillator Lease Purchase
Year ending December 31:	
2011	\$4,750
2012	396
Total	\$5,146

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**7. 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.

**CLARK TOWNSHIP  
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009 (the latest information available):

	<u><b>2010</b></u>	<u><b>2009</b></u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$7,000.

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.



CLARK TOWNSHIP  
CLINTON COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
6,470	5,115

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.

8. Contingent Liabilities

The Township is involved in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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# Dave Yost • Auditor of State

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

Clark Township  
Clinton County  
8113 Farmers Road  
New Vienna, Ohio 45159

To the Board of Trustees:

We have audited the financial statements of Clark Township, Clinton County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 6, 2011 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Government because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we considered material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-001, and 2010-004 described in the accompanying schedule of findings to be material weaknesses.

### **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, providing an opinion 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 2010-001 through 2010-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 6, 2011.

We intend this report solely for the information and use of management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

July 6, 2011

**CLARK TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Classification of Revenues and Disbursements**

NONCOMPLIANCE AND MATERIAL WEAKNESS

**Ohio Admin. Code, Section 117-2-02**, requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township uses the Uniform Accounting Network (UAN) accounting system to prepare financial statements. Revenue and expenditures must be properly coded in the UAN system to be properly classified on the financial statements. The Township did not accurately code receipts and disbursements resulting in classification errors on the financial statements. Failure to have properly classified financial statements can mislead the users on the activity of the Township.

The Township had errors coding tax receipts, intergovernmental receipts, and miscellaneous receipts that resulted in the following reclassifications on the financial statements:

Opinion Unit	Amount	Proper Classification	Classification Reported	Description
2009 General Fund	\$2,757	Intergovernmental Revenue	Taxes	Reimbursements recorded as taxes
2009 General Fund	507	Intergovernmental Revenue	Miscellaneous Revenue	County Grant and Liquor Permit
2009 Special Revenue	16,302	Intergovernmental Revenue	Taxes	Reimbursements recorded as taxes and County Grant
2009 Special Revenue	7,095	Intergovernmental Revenue	Miscellaneous Revenue	EMS Grant
2010 General Fund	131	Intergovernmental Revenue	Taxes	Reimbursements recorded as taxes
2010 General Fund	132	Intergovernmental Revenue	Miscellaneous Revenue	Liquor permit
2010 General Fund	5,009	Proceeds from Sale of Assets	Miscellaneous Revenue	Proceeds from truck sale
2010 Special Revenue	7,156	Intergovernmental Revenue	Taxes	Reimbursements recorded as taxes and County Grant
2010 Special Revenue	830	Intergovernmental Revenue	Miscellaneous Revenue	EMS Grant

**FINDING NUMBER 2010-001  
 (Continued)**

The Township had errors coding expenditures for capital purchases and debt payments that resulted in the following reclassifications on the financial statements:

Opinion Unit	Amount	Proper Classification	Classification Reported	Description
2009 Special Revenue	\$4,170	Redemption of Principal	Public Safety and Capital Outlay	Loan payments
2009 Special Revenue	767	Interest and Other Fiscal Charges	Public Safety and Capital Outlay	Loan payments
2009 Special Revenue	47,892	Capital Outlay	Public Safety, General Government, and Public Works	Purchase of a truck and defibrillator down payment
2009 Debt Service	10,000	Redemption of Principal	Interest and Other Fiscal Charges	Loan payment
2010 Special Revenue	4,434	Redemption of Principal	Capital Outlay	Loan payments
2010 Special Revenue	712	Interest and Other Fiscal Charges	Capital Outlay	Loan payments

The Township issued new debt but the proceeds and the asset purchased were not recorded on the financial statements or the Township's accounting records.

Opinion Unit	Amount	Proper Classification	Classification Reported	Description
2009 Special Revenue	\$12,542	Other Debt Proceeds	None	Debt proceeds
2009 Special Revenue	12,542	Capital Outlay	None	Expenditure of debt proceeds for defibrillator

The adjustments noted above were posted to the Township's financial statements and, where applicable, the Township's accounting records.

We recommend that the Township include and code all transactions using the UAN chart of accounts to ensure that the expenditures are classified correctly on the financial statements. The Township should also establish effective review procedures for transactions posted to the accounting records and the financial statements. This will allow the Township to present accurate financial statements.

## FINDING NUMBER 2010-002

### Encumbering

#### NONCOMPLIANCE

**Ohio Rev. Code, § 5705.41(D)**, prohibits a subdivision or taxing entity from making any contract or giving any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

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

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

Contrary to the above requirement, the availability of funds was not certified prior to the Township incurring the obligation for 25 of 25 or 100% of expenditures tested and none of the exceptions above applied. 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.

**FINDING NUMBER 2010-002  
(Continued)**

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used. "Then and Now" certifications over \$3,000 should be approved by ordinance or resolution. We recommend the Township certify all purchases to which section 5705.41(D) applies. 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 appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-003**

**Budgetary Compliance**

NONCOMPLIANCE

**Ohio Rev. Code, Section 5705.131**, provides that non-expendable trust principal balances should be excluded from the unencumbered fund balance on the certificate of estimated resources.

**Ohio Rev. Code, Section 5705.36(A)(3)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

**Ohio Rev. Code, Section 5705.36(A)(5)**, states that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

**Ohio Rev. Code, Section 5705.38(C)**, requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services." The budgetary resolution passed was at the opinion unit level. The resolution should be broken down to the legal level of control.

**Ohio Rev. Code, Section 5705.39**, requires appropriations to be limited by estimated resources for each fund.

We noted the following deficiencies in the Township's budgetary process:

The principal balance of the permanent funds was included in the estimated resources. The Township appropriated the amount on the estimated certificate for the permanent funds. This resulted in appropriations that were higher than the amount allowed to be expended.

The Township received an OPWC grant in 2009 for \$92,687 and in 2010 for \$50,956. The Township was required to request an amended certificate in order to appropriate the expenditures. They did not request an amended certificate for the additional revenue which resulted in appropriations exceeding estimated resources.



**FINDING NUMBER 2010-003  
 (Continued)**

The appropriation resolution passed in the minute records showed appropriations at the fund type. We were unable to verify that appropriations were limited to estimated resources at the fund level for each special revenue fund because the resolution was not at the legal level of control.

The amount of available resources and appropriations in recorded in the Township’s accounting system did not agree to the amended certificate or appropriations resolution in 2009 or 2010. In order for the Township to be able to properly monitor; the budgetary numbers must agree to the amounts that were approved.

We recommend that the Township limit the certificate of estimated resources to the balances that are available and pass an annual appropriation resolution at the legal level of control. The estimated resources and appropriations that are approved should be entered into the township’s accounting system. The Township’s accounting system should be used to monitor the revenues and expenditures at the legal level of control and determine when amended certificates or appropriations need to be approved. Proper monitoring will prevent the Township from misappropriating funds and bring the township into compliance with budgetary laws.

**FINDING NUMBER 2010-004**

**Permanent Funds**

MATERIAL WEAKNESS

The Township has two permanent funds. Per GASB Codification 1300.108 *Permanent funds* should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs—that is, for the benefit of the government or its citizenry. The submitted financial statements reported these funds as special revenue funds, rather than permanent funds. This resulted in the following reclassification on the financial statements:

Fund	Amount	Classification Reported	Proper Classification
2009 Lewis Cemetery Bequest Health Expenditure	\$7	Special Revenue Health Expenditure	Permanent Health Expenditure
2009 Lewis Cemetery Bequest Beginning Fund Balance	305	Special Revenue Beginning Fund Balance	Permanent Beginning Fund Balance
2009 Carr Cemetery Bequest Health Expenditure	7	Special Revenue Health Expenditure	Permanent Health Expenditure
2009 Carr Cemetery Bequest Beginning Fund Balance	8,300	Special Revenue Beginning Fund Balance	Permanent Beginning Fund Balance

**FINDING NUMBER 2010-004  
 (Continued)**

Fund	Amount	Classification Reported	Proper Classification
2010 Lewis Cemetery Bequest Health Expenditure	11	Special Revenue Health Expenditure	Permanent Health Expenditure
2010 Lewis Cemetery Bequest Beginning Fund Balance	297	Special Revenue Beginning Fund Balance	Permanent Beginning Fund Balance
2010 Carr Cemetery Bequest Health Expenditure	11	Special Revenue Health Expenditure	Permanent Health Expenditure
2010 Carr Cemetery Bequest Beginning Fund Balance	8,293	Special Revenue Beginning Fund Balance	Permanent Beginning Fund Balance

The financial statements have been adjusted to reflect the proper fund type.

We recommend the Township review fund types within the accounting system so that all funds are presented properly according the purpose of the fund. This will allow the township to present accurate financial statements.

**We did not receive a response from officials to the findings above.**

**CLARK TOWNSHIP  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Classification of account postings	No	Reported as finding 2010-001
2008-002	5705.41D encumbering cite	No	Reported as finding 2010-002
2008-003	Allocation of Trustees Salary	Yes	

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# Dave Yost • Auditor of State

CLARK TOWNSHIP

CLINTON 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 28, 2011