



Dave Yost • Auditor of State

CLARK TOWNSHIP
BROWN COUNTY

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Dave Yost • Auditor of State

Clark Township
Brown County
224 Bank Street
Hamersville, Ohio 45130

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.

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Dave Yost
Auditor of State

November 19, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clark Township
Brown County
224 Bank Street
Hamersville, Ohio 45130

To the Township Board of Trustees:

We have audited the accompanying financial statements of Clark Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in the paragraphs below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

The Township has omitted from the financial statements charges for services amounts collected and held in the separate bank accounts. The EMS squad periodically transfers these collections to the Township's EMS fund (the Township bank account), but the financial statements exclude charges for services receipts and cash balances held as of December 31, 2011 and 2012. These cash balances omitted from the financial statements totaled \$25,586 at December 31, 2011 and \$29,807 at December 31, 2010.

Also, we were unable to obtain sufficient evidence supporting the completeness or accuracy of EMS charges for services deposited into the Township's bank account. The undocumented transactions represent 23% of 2011 special revenue fund receipts, and 23% of 2010 special revenue fund receipts.

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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of excluding EMS charges for services receipts and balances as of December 31, 2011 and 2010, and except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient supporting documentation related to the charges for services deposited into the Township's bank account for EMS charges for services, the financial statements referred to above present fairly, in all material respects, the combined special revenue fund cash balances as of December 31, 2011 and 2010 of Clark Township, Brown County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In our opinion, the financial statements referred to above present fairly, in all material respects, the general fund cash balance as of December 31, 2011 and 2010 of Clark Township, Brown County, Ohio, and its cash receipt and disbursements for the years then ended on the accounting basis note 1 describes.

As described in Note 1, during 2011 Clark Township, Brown County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, 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

November 19, 2012

**CLARK TOWNSHIP
BROWN 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)
Cash Receipts			
Property and Other Local Taxes	\$18,163	\$139,394	\$157,557
Charges for Services	0	152,072	152,072
Intergovernmental	50,854	121,542	172,396
Earnings on Investments	291	163	454
Miscellaneous	6,836	9,234	16,070
<i>Total Cash Receipts</i>	<u>76,144</u>	<u>422,405</u>	<u>498,549</u>
Cash Disbursements			
Current:			
General Government	57,506	0	57,506
Public Safety	0	168,801	168,801
Public Works	7,727	28,636	36,363
Health	4,157	0	4,157
Capital Outlay	40	36,615	36,655
Debt Service:			
Principal Retirement	0	15,000	15,000
Interest and Fiscal Charges	0	13,405	13,405
<i>Total Cash Disbursements</i>	<u>69,430</u>	<u>262,457</u>	<u>331,887</u>
<i>Excess of Receipts Over Disbursements</i>	<u>6,714</u>	<u>159,948</u>	<u>166,662</u>
<i>Net Change in Fund Cash Balances</i>	6,714	159,948	166,662
<i>Fund Cash Balances, January 1</i>	<u>37,428</u>	<u>495,422</u>	<u>532,850</u>
Fund Cash Balances, December 31			
Restricted	0	655,370	655,370
Unassigned (Deficit)	44,142	0	44,142
<i>Fund Cash Balances, December 31</i>	<u>\$44,142</u>	<u>\$655,370</u>	<u>\$699,512</u>

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

**CLARK TOWNSHIP
BROWN 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>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$18,294	\$140,569	\$158,863
Charges for Services	0	136,547	136,547
Intergovernmental	59,684	127,592	187,276
Earnings on Investments	1,087	360	1,447
Miscellaneous	6,394	7,020	13,414
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	85,459	412,088	497,547
Cash Disbursements:			
Current:			
General Government	67,895	2,952	70,847
Public Safety	0	184,300	184,300
Public Works	26,492	183,782	210,274
Health	8,315	0	8,315
Capital Outlay	1,475	10,155	11,630
Debt Service:			
Redemption of Principal	0	15,000	15,000
Interest and Other Fiscal Charges	0	14,230	14,230
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	104,177	410,419	514,596
Total Receipts Over/(Under) Disbursements	<hr/> (18,718)	<hr/> 1,669	<hr/> (17,049)
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(18,718)	1,669	(17,049)
Fund Cash Balances, January 1	<hr/> 56,146	<hr/> 493,753	<hr/> 549,899
Fund Cash Balances, December 31	<u><u>\$37,428</u></u>	<u><u>\$495,422</u></u>	<u><u>\$532,850</u></u>

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

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

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 the Clark Township, Brown 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, fire protection, and emergency medical services

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

Township funds are deposited in interest bearing checking accounts. All deposits are valued cost.

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:

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

Fire Levy Fund - This fund receives proceeds from a tax levy for providing Township residents with fire protection and charges for services revenues from Lewis and Scott Township due to Clark Township providing services to these townships.

CLARK TOWNSHIP
BROWN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

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

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. 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 carried over, and need not be reappropriated.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

In 2011, the Township adopted Government Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. For December 31, 2011, fund balance can be 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 though constitutional provisions.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

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

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 the Board 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 uncured 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.

2. Equity in Pooled Deposits and Investments

The Township maintains a cash deposit 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:

	2011	2010
Demand deposits	\$681,183	\$514,617
Certificates of deposit	18,329	18,233
Total deposits	699,512	532,850

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

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,490	\$76,144	\$23,654
Special Revenue	396,490	422,405	25,915
Total	\$448,980	\$498,549	\$49,569

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,918	\$69,430	\$20,488
Special Revenue	873,679	262,457	611,222
Total	\$963,597	\$331,887	\$631,710

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,200	\$85,459	\$19,259
Special Revenue	384,540	412,088	27,548
Total	\$450,740	\$497,547	\$46,807

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$128,181	\$104,177	\$24,004
Special Revenue	795,406	410,419	384,987
Total	\$923,587	\$514,596	\$408,991

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

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. Debt

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Fire House Bond	210,000	5%
Total	\$210,000	

In 2000 the township issued \$350,000 of general obligation bonds to finance the construction of a new firehouse. These bonds mature in 2020.

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

	General Obligation Bonds
Year ending December 31:	
2012	\$32,520
2013	31,340
2014	30,160
2015	28,980
2016	32,800
2017-2020	121,200
Total	\$277,000

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Retirement Systems

The township officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS participants contributed 10% of their wages. For 2011 and 2010, the Township contributed to OPERS an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

8. 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. 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 Townships 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 Township.

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>2010</u>	<u>2009</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>

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. Risk Management (Continued)

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 \$11,000.

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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$11,370	\$9,126

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.

9. Related Party Transactions

A Township Trustee is owner of the Hamersville Coal and Feed Company from which the Township made purchases during the audit period. The Township purchased items in the amount of \$3,270 and \$2,135 in 2011 and 2010 respectively. The Township Trustee did abstain from approving any vouchers relating to Hamersville Coal and Feed

10. Compliance

- Contrary to Ohio Law, the Township did not maintain accounting records that properly posted all their transactions to the proper fund/line item classification on the financial statements. The Township also does not have all EMS activity reflected on their financial statements because outside accounts are still open which should be part of the Township funds.
- Expenditures exceeded appropriations in the Fire and EMS fund.
- Contrary to Ohio Revised Code Section 505.84, the Trustees of the Township failed to establish reasonable charges for use of the ambulance or emergency medical services.

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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
Brown County
224 Bank Street
Hamersville, Ohio 45130

To the Township Board of Trustees:

We have audited the financial statements of Clark Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 19, 2012, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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. We also noted the Township adopted Governmental Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund type Definitions* during 2011. We qualified our report because the Township excluded EMS charges for service receipts and balances in the Special Revenue fund types. Also, we were unable to obtain sufficient supporting documentation to verify the completeness of cash receipts related to the Emergency Medical Services Fund, included as part of the Special Revenue Funds. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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 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 finding 2011-002 described in the accompanying schedule of findings to be a material weakness.

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 2011-001 through 2011-003.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 19, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

November 19, 2012

CLARK TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Revised Codes, Section 5705.41 (B), states that, no subdivision or taxing unit is to expend money unless it has been appropriated. During 2010, expenditures from the Fire and Rescue Ambulance EMS Fund exceeded appropriations by \$4,874.

Failure to monitor budgetary expenditures and available appropriations can result in overspending funds and negative cash balances. The Board should monitor the budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports for their review. By regularly monitoring the budgetary position of the Township throughout the year, the Board will be better able to determine when amendments are needed.

Officials' Response:

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

FINDING NUMBER 2011-002

Noncompliance Citation/Material Weakness

Ohio Admin Code 117-2-02(A) requires public offices to maintain an accounting system and accounting records sufficient to enable the public office 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 required by rule 117-2-03 of the Administrative Code.

Financial Statement Errors:

The financial statements included the following errors requiring adjustment or reclassifications.

- Emergency Medical Services (EMS) billing monies received were classified as miscellaneous receipts in the amount of \$90,572 in 2011 and \$87,665 in 2010 instead of charges for services;
- The Township posted Trauma and EMS Grant & Other amounts received from the State as Other Receipts rather than Intergovernmental receipts in the amount of \$7,500 in the Fire and Rescue Ambulance EMS Fund and \$8,984 in the Special Levy Fund during 2011 and \$6,000 in the Fire and Rescue Ambulance EMS Fund during 2010.
- The Township posted expenditures to the improper object codes in the following;
 - Posted Insurance to Miscellaneous expenditures in the Special Levy Fund rather than to the Insurance Object Code in the amount of \$685.
 - Posted Fuel purchases to Other expenditures in the Ambulance and EMS Fund rather than to the Supplies and Materials Object Code in the amount of \$338.
 - Posted Supplies to Miscellaneous expenditures in the Special Levy Fund rather than to the Supplies Object Code in the amount of \$1,114.

**FINDING NUMBER 2011-002
(Continued)**

The Township did not have procedures in place to ensure compliance with this section of the law. The Township did not consistently implement the use of the Uniform Network Chart of Accounts when recording financial transactions.

Failure to properly post transactions to the accounting records could: 1) reduce the accountability over Township funds; 2) reduce the Township Trustee's ability to monitor financial activity and make informed financial decisions; 3) increase the likelihood that the Township's financial statements will be misstated.

We recommend the Fiscal Officer accurately maintain the Township's accounting records in accordance with the Uniform Accounting System Chart of Accounts as prescribed by the Auditor of State. Additionally, we recommend due care be exercised when posting entries to the financial accounting records to prevent errors and assist in properly reflected financial activity in the annual report.

Township EMS Activity:

The Township EMS department maintained two separate bank accounts related to EMS receipts. The EMS department periodically pays amounts from these accounts into the Township EMS fund; however, the Township does not maintain a sufficient accounting system or sufficient records related to this activity. The Township did not provide evidence that receipts paid from the two EMS accounts to the Township EMS fund were complete and accurate.

As a result the Township omitted from the financial statements charges for services amounts collected and held in the separate bank accounts. The EMS squad periodically transfers these collections to the Township's EMS fund(the Township bank account), but the financial statements exclude charges services receipts and cash balances held as of December 31, 2011 and 2010. The cash balances omitted from the financial statements totaled \$25,586 at December 31, 2011 and \$29,807 at December 31, 2010. As mentioned in the previous paragraph, the Township was unable to provide sufficient evidence to support the completeness or accuracy of EMS charges for services deposited into the Township's bank account. This evidence would include billing reports and receipt reports.

The undocumented transactions represent 23% of 2011 special revenue fund receipts, and 23% of 2010 special revenue fund receipts.

The Township also did not provide evidence that they maintained accountability for receipts, disbursements and balances in the two separate bank accounts. This accountability would include ensuring reconciliations are performed between run reports to billing reports and receipt reports from the billing service to deposits.

We recommend that the Township discontinue the use of the separate EMS accounts and maintain the required accounting system for all financial activity of the EMS department in the EMS fund on the Township's accounting system. We also recommend that Township ensure that reconciliations be performed between run reports to billing reports and receipt reports.

Officials' Response:

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

FINDING NUMBER 2011-003

Noncompliance Citation

Ohio Revised Code, Section 505.84, states, in pertinent part, that a Board of Township Trustees may establish reasonable charges for the use of ambulance or emergency medical services. The statute also states "charges collected under this section shall be kept in a separate fund designed as the "Fire and Rescue Services, Ambulance Services, and Emergency Medical Service Fund" and shall be appropriated and administered by the Board." These funds shall be used for payment of the costs of the management, maintenance, and operation of fire and rescue services, ambulance services, and emergency medical services in the Township.

The Trustees never formally established charges to residents for this service which is contrary to the requirements of the Revised Code. Without formal approval of rates documented in the minutes, the Township could be charging individuals incorrect rates and possibly not have support for the rates charged.

We recommend the Trustees consult with their legal counsel to assure they are charging and collecting fees in accordance with the requirements of the statute.

Officials' Response:

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

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**CLARK TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Admin Code Section 117-02-02(A)	No	Repeat as Finding 2011-002
2009-002	Ohio Revised Code Section 5705.41(D)(1)	Yes	
2009-003	Ohio Revised Code Section 5705.36(A)(4)	No	Finding no longer valid
2009-004	Ohio Revised Code Section 5705.39	Yes	
2009-005	Ohio Revised Code Section 505.84	No	Repeat as Finding 2011-003

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Dave Yost • Auditor of State

CLARK TOWNSHIP

BROWN 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
DECEMBER 18, 2012