



Dave Yost • Auditor of State

CLARK TOWNSHIP
BROWN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clark Township
Brown County
224 Bank Street
Hamersville, Ohio 45130

To the Township Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Clark Township, Brown County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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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, 2013 and 2012, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Township has omitted from the financial statements charges for services amounts collected for Emergency Medical Services (EMS) and held in the separate bank accounts. Amounts for charges for services and related cash balances omitted from the financial statements totaled \$13,359 and \$10,960 for the years ended and as of December 31, 2013 and 2012 respectively.

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 and unrecorded transactions represent 24% of 2013 special revenue fund receipts, and 24% of 2012 special revenue fund receipts.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the combined special revenue fund cash balances of Clark Township, Brown County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the general fund cash balance of Clark Township, Brown County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

August 6, 2014

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**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, 2013**

| | General | Special Revenue | Totals (Memorandum Only) |
|--|------------------------|-------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$18,165 | \$143,611 | \$161,776 |
| Charges for Services | 0 | 146,465 | 146,465 |
| Intergovernmental | 31,229 | 141,734 | 172,963 |
| Earnings on Investments | 0 | 129 | 129 |
| Miscellaneous | 8,012 | 0 | 8,012 |
| <i>Total Cash Receipts</i> | <u>57,406</u> | <u>431,939</u> | <u>489,345</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 66,205 | 0 | 66,205 |
| Public Safety | 0 | 213,106 | 213,106 |
| Public Works | 1,719 | 131,423 | 133,142 |
| Health | 4,415 | 0 | 4,415 |
| Capital Outlay | 0 | 165,027 | 165,027 |
| Debt Service: | | | |
| Principal Retirement | 0 | 20,000 | 20,000 |
| Interest and Fiscal Charges | 0 | 11,340 | 11,340 |
| <i>Total Cash Disbursements</i> | <u>72,339</u> | <u>540,896</u> | <u>613,235</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (14,933) | (108,957) | (123,890) |
| <i>Fund Cash Balances, January 1</i> | <u>27,244</u> | <u>672,091</u> | <u>699,335</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 563,134 | 563,134 |
| Unassigned (Deficit) | <u>12,311</u> | <u>0</u> | <u>12,311</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$12,311</u></u> | <u><u>\$563,134</u></u> | <u><u>\$575,445</u></u> |

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

**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, 2012**

| | General | Special Revenue | Totals (Memorandum Only) |
|--|------------------------|-------------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$18,222 | \$140,045 | \$158,267 |
| Charges for Services | 0 | 162,571 | 162,571 |
| Intergovernmental | 51,353 | 118,545 | 169,898 |
| Earnings on Investments | 0 | 277 | 277 |
| Miscellaneous | 6,570 | 0 | 6,570 |
| <i>Total Cash Receipts</i> | <u>76,145</u> | <u>421,438</u> | <u>497,583</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 77,274 | 0 | 77,274 |
| Public Safety | 0 | 201,508 | 201,508 |
| Public Works | 10,769 | 146,824 | 157,593 |
| Health | 5,000 | 0 | 5,000 |
| Capital Outlay | 0 | 23,588 | 23,588 |
| Debt Service: | | | |
| Principal Retirement | 0 | 20,000 | 20,000 |
| Interest and Fiscal Charges | 0 | 12,520 | 12,520 |
| <i>Total Cash Disbursements</i> | <u>93,043</u> | <u>404,440</u> | <u>497,483</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (16,898) | 16,998 | 100 |
| <i>Fund Cash Balances, January 1</i> | <u>44,142</u> | <u>655,093</u> | <u>699,235</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 672,091 | 672,091 |
| Unassigned (Deficit) | <u>27,244</u> | <u>0</u> | <u>27,244</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$27,244</u></u> | <u><u>\$672,091</u></u> | <u><u>\$699,335</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, 2013 AND 2012**

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

The Township's funds are deposited in interest bearing accounts. All deposits are valued at 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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

Ambulance and Emergency Medical Services Fund – This fund receives charges for services revenue for providing emergency medical service.

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. 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 2013 and 2012 budgetary activity appears in Note 3.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law though constitutional provisions.

3. Committed

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

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by 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 incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

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:

| | 2013 | 2012 |
|-------------------------|-----------|-----------|
| Demand deposits | \$557,116 | \$681,006 |
| Certificates of deposit | 18,329 | 18,329 |
| Total deposits | 575,445 | 699,335 |

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, 2012 and 2013 follows:

2013 Budgeted vs. Actual Receipts

| | Budgeted | Actual | |
|-----------------|-----------|-----------|----------|
| Fund Type | Receipts | Receipts | Variance |
| General | \$48,735 | \$57,406 | \$8,671 |
| Special Revenue | 393,330 | 431,939 | 38,609 |
| Total | \$442,065 | \$489,345 | \$47,280 |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| | Appropriation | Budgetary | |
|-----------------|---------------|--------------|-----------|
| Fund Type | Authority | Expenditures | Variance |
| General | \$75,979 | \$72,340 | \$3,639 |
| Special Revenue | 1,042,092 | 540,896 | 501,196 |
| Total | \$1,118,071 | \$613,236 | \$504,835 |

2012 Budgeted vs. Actual Receipts

| | Budgeted | Actual | |
|-----------------|-----------|-----------|----------|
| Fund Type | Receipts | Receipts | Variance |
| General | \$55,384 | \$76,145 | \$20,761 |
| Special Revenue | 396,600 | \$421,438 | 24,838 |
| Total | \$451,984 | \$497,583 | \$45,599 |

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$99,526 | \$93,043 | \$6,483 |
| Special Revenue | 1,033,614 | 404,440 | 629,174 |
| Total | \$1,133,140 | \$497,483 | \$635,657 |

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

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, 2013 was as follows:

| | Principal | Interest Rate |
|-----------------|-----------|---------------|
| Fire House Bond | 170,000 | 5% |
| Total | \$170,000 | |

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:

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt (Continued)

| Year ending December 31: | General Obligation Bonds |
|--------------------------|--------------------------------|
| 2014 | \$30,160 |
| 2015 | 28,980 |
| 2016 | 32,800 |
| 2017 | 31,300 |
| 2018 | 29,800 |
| 2019-2020 | 60,100 |
| Total | \$213,140 |

6. Retirement Systems

The township officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which includes postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

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.

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

| | <u>2013</u> | <u>2012</u> |
|--------------|--------------|--------------|
| Assets | \$34,954,286 | \$34,771,270 |
| Liabilities | 8,486,363 | 9,355,082 |
| Net Position | \$26,467,923 | \$25,416,188 |

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, 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.

| <u>Contributions to OTARMA</u> | |
|--------------------------------|-------------|
| <u>2013</u> | <u>2012</u> |
| \$13,549 | \$13,714 |

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.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. 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 \$1,376 and \$2,842 in 2013 and 2012 respectively. The Township Trustee did not abstain, in all instances, from approving vouchers relating to Hamersville Coal and Feed. Also, a Township Trustee is related to four EMS workers and minutes did not consistently document that he abstained from approving the payments to these individuals, or for these individuals for training courses.

9. 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.
- Contrary to Ohio Revised Code Section 5705.39, the Township had appropriations that exceeded the total estimated resources in the Fire and Rescue Ambulance EMS Fund in 2012.
- 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.



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*

Clark Township
Brown County
224 Bank Street
Hamersville, Ohio 45130

To the Township 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 Clark Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 6, 2014, 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 qualified our opinion 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.

Internal Control Over Financial Reporting

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

Our consideration of internal controls 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 2013-001 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, 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 2013-001 and 2013-002.

Entity's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

August 6, 2014

CLARK TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

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.

We identified the following conditions related to the Township's financial statements and accounting records.

Financial Statement Errors

The financial statements included the following errors requiring audit adjustments:

- Emergency Medical Services (EMS) billing monies received were classified as miscellaneous receipts in the amount of \$98,000 in 2013 and \$115,000 in 2012 instead of charges for services;
- A Recycled Asphalt Grant received from the Brown County Auditor was classified as miscellaneous receipts in the amount of \$5,000 instead of intergovernmental revenue.

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.

Accounting Records - Township EMS Activity

The Township EMS department maintained two separate bank accounts related to EMS receipts. The EMS department periodically paid amounts from these accounts into the Township EMS fund; however, the Township did 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.

**FINDING NUMBER 2013-001
(Continued)**

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 transferred these collections to the Township's EMS fund (the Township bank account), but the financial statements excluded charges for services receipts and cash balances held as of December 31, 2013 and 2012. The cash balances omitted from the financial statements totaled \$13,359 at December 31, 2013 and \$10,960 at December 31, 2012. 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 should include billing reports and receipt reports.

The undocumented transactions represent 24% of 2013 special revenue fund receipts, and 24% of 2012 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 should 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:

The Township has added new revenue classifications to make certain that all revenues are classified correctly. We are in the process of working with the EMS billing agency to further document charges for services.

FINDING NUMBER 2013-002

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.

**CLARK TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--------------------------------------|------------------|--|
| 2011-001 | Ohio Revised Code Section 5705.41(B) | Yes | |
| 2011-002 | Ohio Admin Code Section 117-02-02(A) | No | Partially Corrected; Repeat as Finding 2013-001 |
| 2011-003 | Ohio Revised Code Section 505.84 | No | Not Corrected; Repeat as Finding 2013-002 |

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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
AUGUST 21, 2014**