



Mary Taylor, CPA
Auditor of State

CLARK TOWNSHIP
BROWN COUNTY

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Mary Taylor, CPA
Auditor of State

Clark Township
Brown County
PO Box 358
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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 8, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clark Township
Brown County
PO Box 358
Hamersville, Ohio 44130

To the 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, 2007 and 2006. 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 discussed in the following paragraph, 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

The Township did not provide sufficient documentation supporting the charges for services, earnings on investments, public safety disbursements and cash fund balances related to the Emergency Medical Services Fund and the Emergency Medical Services Donations / Memorial Fund. Without this evidential matter, we were unable to obtain sufficient information regarding the related receipts, disbursements, and cash balances recorded on the financial statements or to satisfy ourselves regarding the completeness and accuracy of transactions, and the existence and completeness of the cash balances. The undocumented transactions and balances represent 11%, 2% and 9% of 2007 Special Revenue receipts, disbursements and fund balances, respectively; and 19%, 1% and 18% of the 2006 Special Revenue Fund receipts, disbursements and fund balances, respectively.

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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain all the supporting documentation related to activities in the Special Revenue fund types, all the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Clark Township, Brown County, as of December 31, 2007 and 2006, 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 April 8, 2009, 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.



Mary Taylor, CPA
Auditor of State

April 8, 2009

**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, 2007**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$18,862	\$137,688	\$156,550
Charges for Services	0	51,137	51,137
Intergovernmental	39,685	117,998	157,683
Earnings on Investments	1,913	1,188	3,101
Miscellaneous	502	8,933	9,435
Total Cash Receipts	60,962	316,944	377,906
Cash Disbursements:			
Current:			
General Government	57,197	0	57,197
Public Safety	0	182,517	182,517
Public Works	18,350	96,473	114,823
Health	1,029	0	1,029
Capital Outlay	582	20,099	20,681
Debt Service:			
Redemption of Principal	0	40,000	40,000
Interest and Other Fiscal Charges	0	19,510	19,510
Total Cash Disbursements	77,158	358,599	435,757
Total Receipts (Under) Disbursements	(16,196)	(41,655)	(57,851)
Other Financing Disbursements:			
Loss on Sale of Common Stock	0	(1,131)	(1,131)
Total Other Financing Disbursements	0	(1,131)	(1,131)
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(16,196)	(42,786)	(58,982)
Fund Cash Balances, January 1	59,313	380,543	439,856
Fund Cash Balances, December 31	\$43,117	\$337,757	\$380,874

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, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$16,542	\$132,537	\$149,079
Charges for Services	0	105,587	105,587
Intergovernmental	186,045	118,428	304,473
Earnings on Investments	1,826	970	2,796
Miscellaneous	<u>4,947</u>	<u>9,685</u>	<u>14,632</u>
 Total Cash Receipts	 <u>209,360</u>	 <u>367,207</u>	 <u>576,567</u>
Cash Disbursements:			
Current:			
General Government	63,667	365	64,032
Public Safety	0	80,809	80,809
Public Works	109,261	100,412	209,673
Health	1,018	0	1,018
Capital Outlay	4,000	16,497	20,497
Debt Service:			
Redemption of Principal	0	40,000	40,000
Interest and Other Fiscal Charges	<u>0</u>	<u>20,335</u>	<u>20,335</u>
 Total Cash Disbursements	 <u>177,946</u>	 <u>258,418</u>	 <u>436,364</u>
 Total Receipts Over Disbursements	 31,414	 108,789	 140,203
Fund Cash Balances, January 1 (as restated in 1	<u>27,899</u>	<u>271,754</u>	<u>299,653</u>
 Fund Cash Balances, December 31	 <u><u>\$59,313</u></u>	 <u><u>\$380,543</u></u>	 <u><u>\$439,856</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, 2007 AND 2006**

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 and fire protection and emergency medical services. The Township contracts with the Scott and Lewis Township to provide fire services and emergency medical services to them.

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. Cash 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.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

Ambulance-EMS Fund - This fund receives charges for services and grant revenues for providing Township residents with emergency medical services.

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. There were no material encumbrances at year end.

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. There were no material encumbrances outstanding as of December 31, 2007 and 2006.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

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.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Restated Special Revenue Fund Balance

The fund balance of the Special Revenue Fund was restated from amounts previously reported as of December 31, 2005. The Township's Emergency Medical Services Department had outside bank accounts and donated common stock that was previously not included on the financial records of the Township. The opening January 1, 2006 fund balances for the Special Revenue funds have been restated to include those outside bank accounts and the value of the common stock at the time of donation. The restatement resulted in changes to balances reported at December 31, 2005 as follows:

	<u>Special Revenue Fund</u>
Fund Balance December 31, 2005 (as previously reported)	\$245,461
Restatement for outside bank accounts	15,569
Restatement for common stock	<u>10,724</u>
Fund Balance January 1, 2006 (as restated)	<u>\$271,754</u>

3. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$363,731	\$402,045
Passbook deposits	0	10,778
Certificates of deposit	17,143	16,309
Total deposits	<u>380,874</u>	<u>429,132</u>
Common stock (at cost, fair value)	0	10,724
Total investments	<u>0</u>	<u>10,724</u>
Total deposits and investments	<u>\$380,874</u>	<u>\$439,856</u>

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

Investments: A financial institution's trust department holds the Township's equity securities in book entry form in the Township's name.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$62,545	\$60,962	(\$1,583)
Special Revenue	358,352	316,944	(41,408)
Total	\$420,897	\$377,906	(\$42,991)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$122,279	\$77,158	\$45,121
Special Revenue	624,968	359,730	265,238
Total	\$747,247	\$436,888	\$310,359

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$208,109	\$209,360	\$1,251
Special Revenue	347,467	367,207	19,740
Total	\$555,576	\$576,567	\$20,991

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$236,428	\$177,946	\$58,482
Special Revenue	592,508	258,418	334,090
Total	\$828,936	\$436,364	\$392,572

5. 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.

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.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Debt

Debt outstanding at December 31, 2007 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$25,000	4%
Fire House Bond	270,000	5%
Total	\$295,000	

In 2003 the Township issued a note in the amount of \$125,000 to finance the purchase of a new fire truck to be used for Township fire protection. The Township collateralized the note with the truck, including all parts, accessories, repairs or replacements.

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 Note	General Obligation Bonds
Year ending December 31:		
2008	\$27,805	\$30,880
2009		30,055
2010		29,230
1011		28,405
1012		32,520
2013-2016		154,580
2017 – 2020		89,900
Total	\$27,805	\$395,570

7. Retirement Systems

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>PERS – Local</i>	<i>2006</i>	<i>9%</i>	<i>13.7%</i>
<i>PERS – Local</i>	<i>2007</i>	<i>9.5%</i>	<i>13.85%</i>

The Township's Trustees and Clerk belong to the Ohio Public Employees Retirement System (OPERS).

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. Risk Management (continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,760. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2005	\$12,196
2006	\$13,207
2007	\$9,320

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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, 2007 AND 2006
(Continued)**

9. Contingent Liabilities

The Township is defendant in several lawsuits. 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.

10. Related Party Transactions

- A Township Trustee is owner of the Hamersville Coal and Feed from which the Township made purchases during the audit period. The Township purchased items in the amount of \$ 1,464 and \$2,352 in 2007 and 2006, respectively. The Township Trustee did abstain from approving any vouchers relating to Hamersville Coal and Feed.

11. Noncompliance

- 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.
- Contrary to Ohio Revised Code Section 5705.36(A)(4), a reduced amended certificate was not obtained from the budget commission when actual revenue to be collected fell short of estimates, reducing available resources below the current level of appropriation.
- Contrary to Auditor of State Bulletin 2003-005, Auditor of State Bulletin 2004-002, and Ohio Attorney General Opinion 82-006 which cited the Supreme Court case of State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320, the Hamersville-Clark Township EMS expended funds which may have not been for a proper public purpose as they were not covered under any written or adopted policy.



Mary Taylor, CPA

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
PO Box 358
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 year ended December 31, 2007 and 2006, and have issued our report thereon dated April 8, 2009, 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 uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We qualified our report because we were unable to obtain all necessary supporting documentation to verify the cash receipts, cash disbursements, and cash fund balances related to the Emergency Medical Services Fund and the Emergency Medical Services Donations/Memorial 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2007-004 and 2007-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Government's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2007-004 is also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated April 8, 2009.

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 item 2007-001 through 2007-003.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated April 8, 2009.

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



Mary Taylor, CPA
Auditor of State

April 8, 2009

CLARK TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Material Noncompliance

Ohio Rev. Code, Section 505.84, states 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.

Review of the Township minutes revealed that the Trustees had never established charges to residents for this service which is contrary to the requirements of the Revised Code. Without the Township having documented/approved rates 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 (the County Prosecutor) to assure they are collecting fees according to the requirements of the statute. The Township also may want to perform an analysis of rates they are charging to determine whether they are recovering costs adequately or whether rates need to be adjusted.

The Township Clerk should close these accounts and deposit the proceeds from the current bank accounts held by the Chief with the Fiscal Officer to the credit of this Township account. If the Trustees continue to bill for these services all the proceeds from future billings should be deposited into this fund with the Township Fiscal Officer also. Additionally, these funds should be appropriated and maintained by the Township Trustees and used for those expenditures provided by the above section of law.

This method of accounting also likely contributed to the noncompliance matter described in finding 2007-003, and to the control deficiencies described in findings 2007-004 and 2007-005, and required additional audit costs.

Officials Response:

We did not receive a response from officials regarding this finding.

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), requires that upon determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the budget commission, and the commission shall certify an amended certificate reflecting the deficiency.

**FINDING NUMBER 2007-002
(Continued)**

At December 31, 2007 and 2006, estimated receipts exceeded actual receipts in the Fire Levy by \$32,564 and \$41,779, respectively. These deficiencies reduced available resources below the level of current appropriations. Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend the Township monitor estimated and actual receipts and obtain amendments when required.

Officials Response:

We did not receive a response from officials regarding this finding.

FINDING NUMBER 2007-003

Noncompliance

As described in Auditor of State Bulletin 2003-005, Ohio Attorney General Opinion 82-006, citing the Ohio Supreme Court case of State ex rel. McClure v. Hagerman (1951), 155 Ohio St. 320 the determination of the proper public purpose of an expenditures of funds for “coffee, meals, refreshments, and other amenities is a legislative decision....”. As such, the decision to expend public funds”...must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision and the rationale for the decision must be memorialized by a duly enacted ordinance or resolution ...”

Auditor of State Bulletin 2004-002 states that policies related to the expenditure of public funds and the “proper public purpose” should be in writing and in effect prior to the making the expenditure. Therefore, the public entity can specify what constitutes a public purpose through policies and procedures, which have been memorialized by the public entity in a resolution with a prospective effect only.

From our review of the documentation that was provided we found that one of the Hamersville-Clark Township EMS accounts had expenditures for, among other things: flowers, food and t-shirts. These expenditures totaled \$398. The expenditures were not covered under any written or adopted policy. Without the oversight of the Trustees in setting policies and reviewing these types of expenditures it could lead to expenditures occurring which were not for a proper public purpose. We recommend the Township establish and follow policies and procedures to assure that public funds are expended for a proper public purpose.

Officials Response:

We did not receive a response from officials regarding this finding.

FINDING NUMBER 2007-004

Material Weakness - Significant Deficiency

All public offices should maintain an accounting system and accounting records sufficient to allow the public office to identify, assemble, analyze, classify, record and report its transaction and to maintain accountability for their assets. The public office should ensure all account balances and transactions that should be included in the financial records are included.

**FINDING NUMBER 2007-004
(Continued)**

The ambulance and emergency medical services (EMS) had separate bank accounts which were maintained by the Chief and the volunteer EMS Clerk. These funds were received from various sources including donations or memorials from residents of the Township, grants from state agencies and revenues, and from ambulance run billings. The Chief has traditionally deposited these funds in bank accounts which are separate from the Township's managed bank accounts. From discussions regarding these accounts with the Chief it has been stated that these accounts are maintained under the federal tax identification number of Clark Township. Additionally, there is not a separate organization that has been legally established with its own federal tax identification number. Funds that have been collected in the past appear to be public funds which belong to Clark Township and should be maintained by the Fiscal Officer of the Township's financial accounting records.

Prior period audit adjustments were required to bring the following EMS activity onto the Township books as of 12/31/05:

- Funds related to two outside bank accounts they used for the deposit of emergency medical service billings which had balances of \$15,065 and \$41 respectively that was never deposited with the Township.
- Funds related to 400 shares of Convergys Corporation common stock that a resident of the Township gave to Hamersville-Clark Life Squad in 1999 that was valued at \$10,724 on the date of donation. This stock was sold on April 3, 1997.
- Funds related to \$463 of unposted investment earnings on certificates of deposit and a savings account which were closed in the prior audit.

During 2007, the ambulance and emergency medical service department deposited \$91,000 in emergency medical service billings receipts with the Township, which were only a portion of the activity funds related to four bank accounts and one certificate of deposit that were part of the ambulance and emergency medical services department activity during the audit period. We were able to obtain the necessary documents from the EMS to support the receipts and disbursements in each of these accounts during the audit period. As a result, the following adjustments were made to record and classify the EMS activity on the Township records for periods ending:

- For December 31, 2006 –
 - Charges for Services for EMS billings totaling \$62,234
 - Earnings on Investments on EMS accounts totaling \$825
 - Public Safety Expenditures related to the EMS department totaling \$1,645
- For December 31, 2007 –
 - Charges for Services for EMS billings totaling (\$54,013)
 - Earnings on Investments on EMS accounts totaling \$943
 - Miscellaneous EMS donations totaling \$433
 - Public Safety Expenditures related to the EMS department totaling \$7,554

If the ambulance and emergency medical service department members and Chief and fire department members and Chief wish to do fundraising as an auxiliary organization, they should discuss with legal counsel the proper method to legally establish a separate organization, obtain a federal tax identification number, consider the need to establish exempt status with the IRS regarding federal income tax, and clearly communicate that fundraising activities are for this auxiliary organization and not Clark Township.

**FINDING NUMBER 2007-004
(Continued)**

We recommend that all remaining funds in outside accounts be paid over to the Township. Further, all future transactions should be accounted on the Township's financial accounting records, unless a separate legal entity has been properly established for future auxiliary fundraising purposes, and proper documentation is maintained to demonstrate that monies collected to support auxiliary services are not public funds of the Township.

Officials Response:

We did not receive a response from officials regarding this finding.

FINDING NUMBER 2007-005

Significant Deficiency

Accurate and timely reconciliation procedures are a key component of an effective internal control environment to ensure the Emergency Medical Services (EMS) are maintaining accountability for funds, are distributing funds accurately, and are detecting fraud and errors in a timely manner.

During our audit of the records from the EMS for the audit period, we noted that a reconciliation of monthly deposits of emergency medical services billing receipts to the receipt summary report from the third party billing service is not being performed regularly. Additionally, a reconciliation of run reports prepared by the emergency medical service personnel is not being reconciled to the billing reports from the third party billing service.

Without complete and timely reconciliation of emergency medical services provided, to the information entered and processed for billing, could result in services being provided which are not being billed, or not being billed at the appropriate rate. To reduce the risk of undetected errors and omissions occurring which could result in a negative fund balance situation, we recommend that the EMS Chief review each run, and then either sign-off or initial to verify that the run(charge) actually occurred, and then enter the run into some type of ledger or computer system. This will allow the EMS department head to trace the account to know when reimbursement for the charges has happened, and how much was received for the run. Also, this will create the opportunity for the Township to realize when the account was written-off and what percentage of the bills is being collected. This gives the EMS Department the capability of printing off or writing up a report to see the status of all accounts at anytime. By not entering the charges into a system and keeping track of what bills are being paid, the Township is unable to determine which bills have been paid, are delinquent, or should be written-off per MED3000.

We recommend that the EMS Chief reconcile the MED3000 reports to the run sheets and initial in approval. Additionally, the EMS Chief should reconcile what was collected to what the Township Clerk posted in the Township's receipts ledger monthly. If no one performs this reconciliation, then discrepancies between these reports and the Township's books may not be detected. By having someone perform a monthly reconciliation, discrepancies can be detected and corrected in a timely manner.

These procedures will help assure that all emergency medical service runs are complete and accurate, that they have been processed completely and accurately by the third party billing service, and that all receipts collected from billings are being received.

Officials Response:

We did not receive a response from officials regarding this finding.

**CLARK TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Separate bank accounts maintained by the ambulance and emergency medical services department and should be included in the township financial accounting records.	No	Reissued as Finding 2007-004
2005-002	ORC 505.84 The township need to set rates/charges for residents for EMS services.	No	Reissued as Finding 2007-001
2005-003	ORC 149.351 Disposal of public records must be approved and proof must be sent to the Auditor of State.	Yes	
2005-004	AOS Bulletin 2003-05 Expenditures were made that were not for a proper public purpose form the EMS accounts.	No	Reissued as Finding 2007-003



Mary Taylor, CPA
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
MAY 28, 2009