



Mary Taylor, CPA
Auditor of State

CLARK TOWNSHIP
BROWN COUNTY

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Mary Taylor, CPA

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.

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

Mary Taylor, CPA
Auditor of State

May 27, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clark Township
Brown County
224 Bank Street
Hamersville, Ohio 45130

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, 2009 and 2008. 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 paragraph four, 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 has omitted cash accounts used to deposit charges for services into the Emergency Medical Services Fund (EMS), reported within the special revenue funds. The EMS squad periodically transfers these collections to the Township's bank account, but these statements exclude charges for services receipts and cash balances held as of December 31, 2009 and 2008 and as of January 1, 2008. These cash balances totaled \$16,047 at December 31, 2009 and \$9,776 at December 31, 2008. The accompanying notes also restate the January 1, 2008 special revenue fund cash balances to remove \$14,562 representing this cash, which in our opinion should be included in these statements.

Also, we were unable to obtain evidence supporting the completeness or accuracy of EMS charges for services deposited in the Township's bank account. The undocumented transactions represent 13% of 2009 Special Revenue receipts; and 10% of 2008 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, 2009 and 2008 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, 2009 and 2008, 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 January 1, 2008 and as of December 31, 2009 and 2008, and except for the effects of adjustments, if any, as might have been determined to be necessary had we been able to obtain all the supporting documentation related to charges for services deposited in the Township's bank account for EMS charges for services, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Special fund types of Clark Township, Brown County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances in the General Fund of Clark Township, Brown County, as of December 31, 2009 and 2008, and their 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 May 27, 2010, 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

May 27, 2010

**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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$17,605	\$140,188	\$157,793
Charges for Services		78,686	78,686
Licenss, Permits, and Fees	5,173		5,173
Intergovernmental	57,245	123,569	180,814
Earnings on Investments	1,108	438	1,546
Miscellaneous		88	88
	<u>81,131</u>	<u>342,969</u>	<u>424,100</u>
Cash Disbursements:			
Current:			
General Government	56,958		56,958
Public Safety		78,742	78,742
Public Works	8,999	83,985	92,984
Health	928	0	928
Capital Outlay		34,403	34,403
Debt Service:			
Redemption of Principal		15,000	15,000
Interest and Other Fiscal Charges		15,055	15,055
	<u>66,885</u>	<u>227,185</u>	<u>294,070</u>
Total Receipts Over/(Under) Disbursements	<u>14,246</u>	<u>115,784</u>	<u>130,030</u>
Fund Cash Balances, January 1	<u>41,900</u>	<u>377,969</u>	<u>419,869</u>
Fund Cash Balances, December 31	<u>\$56,146</u>	<u>\$493,753</u>	<u>\$549,899</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, 2008**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$17,638	\$128,822	\$146,460
Charges for Services		\$96,124	\$96,124
Licenses, Permits, and Fees	4,492	0	4,492
Intergovernmental	53,763	130,643	184,406
Earnings on Investments	1,678	855	2,533
Miscellaneous	7		7
Total Cash Receipts	77,578	356,444	434,022
Cash Disbursements:			
Current:			
General Government	61,748		61,748
Public Safety		76,054	76,054
Public Works	9,853	96,392	106,245
Health	2,510		2,510
Capital Outlay	4,684	70,539	75,223
Debt Service:			
Redemption of Principal		40,000	40,000
Interest and Other Fiscal Charges		18,685	18,685
Total Cash Disbursements	78,795	301,670	380,465
Total Receipts Over/(Under) Disbursements	(1,217)	54,774	53,557
Fund Cash Balances, January 1, restated	43,117	323,195	366,312
Fund Cash Balances, December 31	\$41,900	\$377,969	\$419,869
Reserve for Encumbrances, December 31	\$826	\$6,179	\$7,005

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

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clark Township, 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. Cash and Deposits

Township funds are deposited in interest bearing checking 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 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:

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Fire 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.

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. There were material encumbrances outstanding as of December 31, 2008.

A summary of 2009 and 2008 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.

2. Restated Special Revenue Fund Balance

The fund balance of the Special Revenue Fund was restated from amounts previously reported as of December 31, 2007, to remove outside EMS account activity that was not recorded on the financial records of the township. The restatement resulted in changes to balances reported at December 31, 2007 as follows:

	<u>Special Revenue Fund</u>
Fund Balance December 31, 2007 (as previously reported)	\$337,757
Restatement for outside bank accounts	<u>(14,562)</u>
Fund Balance January 1, 2008 (as restated)	<u>\$323,195</u>

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Equity in Pooled Cash Deposits

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:

	2009	2008
Demand deposits	\$531,847	\$402,077
Certificates of deposit	18,052	17,792
Total deposits	549,899	419,869

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$56,150	\$81,131	\$24,981
Special Revenue	316,385	342,969	26,584
Total	\$372,535	\$424,100	\$51,565

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,470	\$66,885	\$31,585
Special Revenue	676,142	227,185	448,957
Total	\$774,612	\$294,070	\$480,542

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,145	\$77,578	\$16,433
Special Revenue	390,200	356,444	(33,756)
Total	\$451,345	\$434,022	(\$17,323)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$104,682	\$79,621	\$25,061
Special Revenue	695,833	307,849	387,984
Total	\$800,515	\$387,470	\$413,045

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

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.

6. Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Fire House Bond	\$ 240,000	5%

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:	
2010	\$29,230
2011	28,405
2012	32,520
2013	31,340
2014	30,160
2015-2020	182,980
Total	\$334,635

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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 plan. 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 2009 and 2008, OPERS participants contributed 10% of their wages. For 2009 and 2008, the Township contributed to OPERS an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

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

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, 2008 and 2007 (the latest information available):

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

	2008	2007
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	\$27,755,922	\$29,852,866

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$8,000.

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.

Contributions to OTARMA	
2008	\$11,055
2009	\$9,126

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.

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 \$640 and \$1,676 in 2009 and 2008 respectively. The Township Trustee did abstain from approving any vouchers relating to Hamersville Coal and Feed. Also, a Township Trustee is receiving payments as an EMS driver without abstaining from approval of the payments.

**CLARK TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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 in their financial statements because outside accounts are still open which should be part of the Township funds.
- Contrary to Ohio Revised Code Section 5705.41(D), the Township did not certify all their expenditures or record liabilities at year end as encumbrances.
- 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 Ohio Revised Code Section 5705.39, the Township had appropriations that exceeded the total estimated revenue available for expenditure in the General and Gas Tax Fund in 2008.
- 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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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
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 year ended December 31, 2009 and 2008, and have issued our report thereon dated May 27, 2010 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township 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 the Township excluded EMS charges for service receipts and balances in the Special Revenue fund types. Also, we were unable to obtain all necessary 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 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we 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 2009-001 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, 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 is described in the accompanying schedule of findings as item 2009-001 through 2009-005.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated May 27, 2010.

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 opinions on them.

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

May 27, 2010

CLARK TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation – Material Weakness

Ohio Admin. Code Section 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.

- Tangible personal property tax replacement and homestead/rollback receipts were classified as tax receipts instead of intergovernmental receipts in the amount of \$5,823 for the General fund in 2008 and \$1715 in 2009, \$4,792 for the Road and Bridge fund in 2008 and \$1937 in 2009, \$24,889 for the Fire Fund in 2008 and \$10,275 in 2009;
- Franchise fees were classified as miscellaneous receipts in the amount of \$4,492 in 2008 and \$5,173 in 2009 instead of licenses, permits and fees in the General Fund;
- EMS billing monies received were classified as miscellaneous receipts in the amount of \$35,000 in 2008 and \$29,000 in 2009 instead of charges for services;
- Deregulation, personal property tax replacement and grant funding were classified as Miscellaneous receipts in the General Fund, EMS Fund and Fire Fund in 2009 in the amount of \$862, \$5,500, and \$1,370 instead of intergovernmental receipts;
- Three gas tax payments in 2009 were posted to the motor vehicle fund in the amount of \$22,081 requiring adjustment.
- Deregulation monies received in 2009 were posted in total to the General Fund in the amount of \$5,415 instead of being split to the Fire and Road and Bridge Fund in the amount of \$4,658 and \$757 requiring adjustment.

The financial statements were corrected to reflect the proper postings of these incorrect receipts. The Township did not have procedures in place to ensure compliance with this section of the law. The Township did not consistently implement use of the uniform accounting 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, and 3) increase the likelihood that the Township's financial statements will be misstated.

**FINDING NUMBER 2009-001
(Continued)**

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 three 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 three EMS accounts to the Township EMS fund were complete and accurate.

The Township also did not provide evidence that they maintained accountability for receipts, disbursements and balances in the three 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. The Township's January 1, 2008 special revenue funds balance was restated by \$14,562 which represented balances related to the three separate bank accounts that was included in the prior financial statement balances, but for which the Township did not maintain custody of the balances in a Township account or the related records to support the activity.

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 Township EMS fund.

Segregation of Duties:

Furthermore, the small size of the Township does not allow for adequate segregation of duties. The Fiscal Officer performs all the financial record keeping including receipt, depositing, check writing and posting. This increases the risk of diversion of funds and the Township Trustees not detecting bookkeeping errors in a timely manner. We recommend continued documented reviews of financial reports, such as detailed receipt and expenditure reports, fund status reports, and bank reconciliations by the Trustees.

Officials' Response:

The receipt codes have been added or changed to eliminate the classification errors. Steps have been taken to be sure that all monies are distributed correctly. The Township is in the process of consolidating the EMS accounts, and bringing them onto the Township books.

FINDING NUMBER 2009-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

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

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

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the Township did not certify the availability of funds for two of the nineteen purchase commitments tested during the audit period. Unrecorded certifications were also noted at year end 2008 in the amount of \$826 for the General Fund and \$6,179 for the Fire Fund. These amounts were posted to the financials as reserve for encumbrances.

**FINDING NUMBER 2009-002
 (Continued)**

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

We recommend the Township officials obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The end of year commitments will be monitored more carefully.

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.36(A)(4), states that upon determination by the fiscal officer of a subdivision that the revenue to be collected 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 commission, and the commission shall certify an amended certificate reflecting the deficiency. Actual revenue was less than estimated revenues, and the deficiency reduced available resources below the level of appropriations in the following funds:

<u>Fund</u>	<u>Beginning Unencumbered Fund Balance</u>	<u>Actual Receipts</u>	<u>Total Available Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Motor Vehicle 2008	\$ 10,458	\$ 11,280	\$ 21,737	\$ 22,108	\$ (371)
Gas Fund 2008	20,079	89,888	109,967	154,279	(44,312)
Permissive MVL 2008	22,611	17,342	39,953	40,461	(508)
Fire/EMS 2008	36,030	35,000	71,030	121,030	(50,000)
Fire/EMS 2009	33,659	34,500	68,159	73,659	(5,500)

Failure to monitor actual results and amend appropriations and estimated resources accordingly may result in the Township incurring obligations that exceed their available resources. We recommend that the Township monitor their budgeted and actual resources and appropriations.

Officials' Response:

No response was received from officials to this finding.

FINDING NUMBER 2009-004

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, provides, in part, that the total appropriation from each fund shall not exceed the total estimated revenue available for expenditure there from as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. In 2008 appropriations exceeded the total resources in the General Fund by \$4,160 and the Gas Tax Fund by \$45,000. The Township did receive the county auditor certificate stating that there were funds where the appropriations exceeded resources.

Failure to limit appropriations to total estimated resources may result in the Township incurring obligations that exceed their available resources and could lead to deficit fund balances. We recommend that the Township limit appropriations to total estimated resources per fund.

Officials' Response:

No response was received from officials to this finding.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Rev. 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:

The Trustees are in the process of establishing the codified charges for EMS services.

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**CLARK TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 505.84- Township never established charges for the use of ambulance or emergency medical services. Also separate accounts being held for this activity which should be combined with Township accounts.	No	Not corrected – Repeated as finding 2009-005
2007-002	ORC 5705.36(A)(4) – appropriations exceed actual resources	No	Not corrected – Repeated as finding 2009-003
2007-003	AOS Bulletin 2003-005, OAG Opinion 82-006 and case State ex rel. McClure v. Hagerman – Proper public purpose questioned with no policy in place	No	Partially corrected – Repeat as management letter recommendation to establish policy
2007-004	Material Weakness – EMS have separate bank accounts which should be paid into the Township accounts	No	Not corrected – Repeated as finding 2009-001
2007-005	Significant Deficiency – EMS not reconciling run reports to billing reports or monthly deposits to receipt summary report from billing service	No	Not corrected – Repeated as finding 2009-001



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
JUNE 29, 2010**