



Dave Yost • Auditor of State

CLINTON TOWNSHIP
SHELBY COUNTY

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Dave Yost • Auditor of State

Clinton Township
Shelby County
P.O. Box 603
Sidney, Ohio 45365

To the Board of Trustees:

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

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

Dave Yost
Auditor of State

September 24, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Clinton Township
Shelby County
P.O. Box 603
Sidney, Ohio 45365

To the Board of Trustees:

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

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Clinton Township, Shelby County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

September 24, 2012

**CLINTON TOWNSHIP
SHELBY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$33,623	\$65,979			\$99,602
Licenses, Permits and Fees	1,602				1,602
Intergovernmental	125,394	107,701		\$9,106	242,201
Special Assessments		1,702			1,702
Earnings on Investments	693	314			1,007
Miscellaneous	2,966				2,966
Total Cash Receipts	<u>164,278</u>	<u>175,696</u>		<u>9,106</u>	<u>349,080</u>
Cash Disbursements:					
Current:					
General Government	154,510	1,301			155,811
Public Safety	10,230	46,266			56,496
Public Works	48,309	65,506		9,106	122,921
Health	5,715				5,715
Capital Outlay	69,897				69,897
Debt Service:					
Principal Retirement			\$32,000		32,000
Interest and Fiscal Charges			4,197		4,197
Total Cash Disbursements	<u>288,661</u>	<u>113,073</u>	<u>36,197</u>	<u>9,106</u>	<u>447,037</u>
Excess of Receipts Over (Under) Disbursements	<u>(124,383)</u>	<u>62,623</u>	<u>(36,197)</u>		<u>(97,957)</u>
Other Financing Receipts (Disbursements):					
Transfers In			38,000		38,000
Transfers Out	<u>(38,000)</u>				<u>(38,000)</u>
Total Other Financing Receipts (Disbursements)	<u>(38,000)</u>		<u>38,000</u>		
Net Change in Fund Cash Balances	(162,383)	62,623	1,803		(97,957)
Fund Cash Balances, January 1	<u>1,038,100</u>	<u>627,003</u>			<u>1,665,103</u>
Fund Cash Balances, December 31:					
Restricted		689,626	1,803		691,429
Unassigned (Deficit)	<u>875,717</u>				<u>875,717</u>
Fund Cash Balances, December 31	<u><u>\$875,717</u></u>	<u><u>\$689,626</u></u>	<u><u>\$1,803</u></u>	<u><u>\$0</u></u>	<u><u>\$1,567,146</u></u>

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

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property and Other Local Taxes	\$34,715	\$65,793		\$100,508
Licenses, Permits, and Fees	144			144
Intergovernmental	196,373	115,278		311,651
Special Assessments		1,759		1,759
Earnings on Investments	1,236	391		1,627
Miscellaneous	53	143		196
Total Cash Receipts	<u>232,521</u>	<u>183,364</u>		<u>415,885</u>
Cash Disbursements:				
Current:				
General Government	159,112	1,095		160,207
Public Safety	6,422	50,349		56,771
Public Works	49,541	70,272		119,813
Health	3,339			3,339
Capital Outlay	1,828			1,828
Debt Service:				
Redemption of Principal			\$65,200	65,200
Interest and Other Fiscal Charges			10,157	10,157
Total Cash Disbursements	<u>220,242</u>	<u>121,716</u>	<u>75,357</u>	<u>417,315</u>
Total Receipts Over/(Under) Disbursements	<u>12,279</u>	<u>61,648</u>	<u>(75,357)</u>	<u>(1,430)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In			75,357	75,357
Transfers-Out	<u>(75,357)</u>			<u>(75,357)</u>
Total Other Financing Receipts / (Disbursements)	<u>(75,357)</u>		<u>75,357</u>	
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(63,078)	61,648		(1,430)
Fund Cash Balances, January 1	<u>1,101,178</u>	<u>565,355</u>		<u>1,666,533</u>
Fund Cash Balances, December 31	<u><u>\$1,038,100</u></u>	<u><u>\$627,003</u></u>	<u><u>\$0</u></u>	<u><u>\$1,665,103</u></u>

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

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clinton Township, Shelby County, (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 contracts with the City of Sidney to provide fire and ambulance services, and with the Shelby County Sheriff to provide police protection.

The Township participates in the Ohio Plan Risk Management, Inc. public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

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

Fire Levy Fund – This fund receives property tax money for fire protection.

3. Debt Service Funds

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

Millcreek Storm Sewer Debt Service Fund – This fund receives transfers in from the General fund to make payments to Shelby County for the associated debt issued by Shelby County for the Millcreek Storm Sewer project.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund in 2011:

OPWC Fund - The Township received a grant from the State of Ohio for road repairs.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year.

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

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

For December 31, 2011, 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. Non-spendable

The Township classifies assets as *non-spendable* 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 through 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 Township Trustees 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2011	2010
Demand deposits	\$ 898,972	\$ 997,304
STAR Ohio	668,174	667,799
Total deposits and investments	\$1,567,146	\$1,665,103

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

Investments: Investments in STAR Ohio is not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$158,528	\$164,278	\$ 5,750
Special Revenue	180,462	175,696	(4,766)
Debt Service		38,000	38,000
Capital Projects	9,106	9,106	
Total	\$348,096	\$387,080	\$38,984

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,116,995	\$326,661	\$ 790,334
Special Revenue	803,308	113,073	690,235
Debt Service	38,000	36,197	1,803
Capital Projects	9,106	9,106	
Total	\$1,967,409	\$485,037	\$1,482,372

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$209,186	\$232,521	\$23,335
Special Revenue	180,296	183,364	3,068
Debt Service	75,357	75,357	
Total	\$464,839	\$491,242	\$26,403

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,123,136	\$295,599	\$ 827,537
Special Revenue	736,395	121,716	614,679
Debt Service	75,427	75,357	70
Total	\$1,934,958	\$492,672	\$1,442,286

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Millcreek Storm Sewer MOU Agreement	\$221,547	3.27%

The Township entered into a Memorandum of Understanding as of January 2010, where the Shelby County Commissioners issued a debt obligation for the benefit of Clinton Township for the Millcreek Storm Sewer project. Clinton Township has agreed to reimburse Shelby County for all the principal and interest payments for this obligation, over a period of five years, in accordance with the amortization schedule from US Bank.

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

Year ending December 31:	Principal	Interest	Total
2012	\$ 65,200	\$ 7,371	\$ 72,571
2013	65,200	5,192	70,392
2014	65,200	3,031	68,231
2015	25,947	979	26,926
Totals	\$221,547	\$16,573	\$238,120

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

6. RETIREMENT SYSTEMS

The Township's trustees, fiscal officer, and part-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

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.

In 2010, the Township joined the Ohio Plan Risk Management, Inc. Prior to 2009, this plan was known as the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- **Ohio Plan Risk Management, Inc. (OPRM)** - formerly known as the Ohio Risk Management Plan;
- **Ohio Plan Healthcare Consortium, Inc. (OPHC)** - formerly known as the Ohio Healthcare Consortium; and
- **Ohio Plan, Inc.** - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio.

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

7. RISK MANAGEMENT (continued)

Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$ 7,191,485	\$ 300,035	\$ 6,323,701	\$ 105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

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Dave Yost • Auditor of State

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

Clinton Township
Shelby County
P.O. Box 603
Sidney, Ohio 45365

To the Board of Trustees:

We have audited the financial statements of Clinton Township, Shelby County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated September 24, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We also noted that the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for year ending December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

One First National Plaza, 130 W. Second St., Suite 2040, Dayton, Ohio 45402
Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

www.ohioauditor.gov

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 24, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State

September 24, 2012

CLINTON TOWNSHIP
SHELBY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

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

FINDING NUMBER 2011-01

Material Weakness – Classifying of Revenues and Expenditures

All transactions were posted to the general ledger; however, not all transactions were posted to the correct line item account or to the proper fund. The following items were not properly posted during 2010 and 2011:

- The 2010 receipts for personal property tax replacement, homestead and rollback, and gas/electric settlements were incorrectly posted as tax revenue instead of intergovernmental revenue for the following funds and amounts: General Fund \$16,211, Road & Bridge Fund \$10,328, Fire Levy Fund \$5,058, Rescue Levy Fund \$5,058.
- The 2010 homestead and rollback receipt received in September in the amount of \$4,157 was incorrectly posted fully to the General Fund tax revenue, but should have been posted to intergovernmental revenue in the following funds and amounts: Road & Bridge \$2,179, Fire Levy Fund \$989, Rescue Levy Fund \$989. These adjustments have been recorded in the UAN accounting system.
- The 2010 gas/electric settlement received in April included \$189 that was incorrectly posted to the Rescue Levy Fund instead of the Fire Levy Fund. These adjustments have been recorded in the UAN accounting system.
- The 2010 township gas payment received from the County Auditor in May in the amount of \$4,583 was incorrectly posted as interest earnings instead of intergovernmental revenue within the Gasoline Tax Fund.
- The 2010 second debt payment was charged fully to principal expense instead of allocating the portion due for interest in the amount of \$5,330 to the interest expense line within the Debt Service Fund.
- The 2011 receipts for personal property tax replacement, homestead and rollback, and gas/electric settlements were incorrectly posted as tax revenue instead of intergovernmental revenue for the following funds and amounts: General Fund \$14,252, Road & Bridge Fund \$10,999, Fire Levy Fund \$5,355, Rescue Levy Fund \$5,137.
- The 2011 OPWC grant in the amount of \$9,106 was paid directly to the contractor by OPWC on behalf of the Township; however, the related revenue and expense were not posted to the accounting system to account for this grant.

The failure to properly post these receipts and expenditures could result in the material misstatement of the revenue and expenditure line items for reporting. The accompanying financial statements have been adjusted to correctly present the Township's revenue and expenditure activity for 2011 and 2010.

The Township should review The UAN Chart of Accounts should be utilized to determine the appropriate classifications. In addition, Auditor of State Bulletins 2000-008 and 2002-004 should be reviewed for information regarding how to handle OPWC on behalf of grants.

OFFICIALS' RESPONSE: Township officials declined to respond to the above finding.

FINDING NUMBER 2011-02

FINDING FOR RECOVERY – PAYROLL OVERPAYMENT – REPAID UNDER AUDIT

Clinton Township Employee Handbook Section 3.01, states that upon service retirement under PERS from active service with the township and at least ten years of service as a public employee, employee shall receive payment of one quarter of his accumulated but unused sick leave, up to a maximum of 240 hours. At the February 1, 2011 meeting the Township Trustees approved severance payment to Joseph Frilling after meeting the policy requirements for accrued sick leave of 240 hours at \$13.20 per hour.

Employee Joseph Frilling was compensated \$3,168 during the audit period (240 hours X \$13.20) for severance payment of accrued sick leave, which was the maximum sick leave hours per the Clinton Township Employee Handbook Section 3.01. Per the Employee Township Handbook Section 3.01, Mr. Frilling should have been compensated \$1,207.80 (366 sick leave hours at the time of severance X 25% X \$13.20), resulting in an overpayment in the total amount of \$1,960.20.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Joseph Frilling, and in favor of Clinton Township Road and Bridge Fund (Fund 2031), in the amount of \$1,960.

Joseph Frilling repaid \$1,960 on September 5, 2012 via check 7381 to Clinton Township. The amount was deposited into the Clinton Township bank account on September 5, 2012 and was recorded to the accounting records on September 11, 2012 via receipt number 46-2012 to the road and bridge fund.

OFFICIALS' RESPONSE: Township officials declined to respond to the above finding.

**CLINTON TOWNSHIP
SHELBY COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness – Classifying Revenues and Expenditures	No	Repeated as Finding 2011-01
2009-002	Ohio Rev. Code Section 5705.41(D) – Prior Certification	Yes	

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Dave Yost • Auditor of State

CLINTON TOWNSHIP

SHELBY 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
OCTOBER 23, 2012