



Dave Yost • Auditor of State

CLINTON TOWNSHIP
FRANKLIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clinton Township
Franklin County
3820 Cleveland Avenue
Columbus, Ohio 43224

To the Board of Trustees:

Report on the Financial Statements

We were engaged to audit the accompanying financial statements and related notes of Clinton Township, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2012, 2011, and 2010.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit based on conducting the audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*.

Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to support an audit opinion.

Basis for Disclaimer of Opinion

The Township's fund balances per their accounting records were not reconciled to the bank account balances throughout 2012, 2011, and 2010. Based upon our reconciliation procedures, we noted the following reconciling items that are known, but the Township has been unable to identify which funds or line items would be affected by these unreconciled amounts and reconciling items and therefore this activity is not reflected in the financial statements and accounting records as of December 31, 2012, 2011 and 2010, respectively:

	2012	2011	2010
Unposted Interest and Miscellaneous Receipts	\$10,358	\$2,771	\$1,211
Net Unposted Expenditures	(346,271)	(26,214)	(22,326)
Unreconciled Variance	<u>17,290</u>	<u>3,562</u>	<u>(3,047)</u>
Effect of Unposted Reconciling Errors	\$318,623	\$19,881	\$24,162

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The accounting records and financial statements do not reflect this activity and, therefore, we were unable to satisfy ourselves as to the receipts, expenditures or fund cash balances at December 31, 2012, 2011, or 2010.

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

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and would have resulted in an additional opinion modification if we had opined on the financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to support an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 7 to the financial statements, during 2010 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2015

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 62,908	\$ 1,869,374	\$ -	\$ 1,932,282
Charges for Services	-	468,616	-	468,616
License, Permits, and Fees	-	25,635	-	25,635
Intergovernmental	221,332	593,032	548,576	1,362,940
Earnings on Investments	8,125	51	-	8,176
Miscellaneous	4,310	86,250	-	90,560
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	296,675	3,042,958	548,576	3,888,209
Cash Disbursements:				
Current:				
General Government	208,624	-	-	208,624
Public Safety	32,031	1,878,984	-	1,911,015
Public Works	6,652	307,352	548,576	862,580
Health	20,144	-	-	20,144
Human Services	5,798	-	-	5,798
Other	1,178	35,869	-	37,047
Capital Outlay	-	501,494	-	501,494
Personal Services	-	22,150	-	22,150
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	274,427	2,745,849	548,576	3,568,852
Total Receipts Over Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	22,248	297,109	-	319,357
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	728,694	2,430,297	155	3,159,146
Fund Cash Balances, December 31				
Nonspendable				
Restricted	-	2,727,406	155	2,727,561
Assigned	5,558	-	-	5,558
Unassigned	745,384	-	-	745,384
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Fund Cash Balances, December 31	<u>\$ 750,942</u>	<u>\$ 2,727,406</u>	<u>\$ 155</u>	<u>\$ 3,478,503</u>

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

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 65,811	\$ 1,987,779	\$ -	\$ 2,053,590
Charges for Services	-	412,711	-	412,711
License, Permits, and Fees	-	26,323	-	26,323
Intergovernmental	293,182	676,723	-	969,905
Earnings on Investments	8,190	248	-	8,438
Miscellaneous	3,057	76,760	-	79,817
	<u>370,240</u>	<u>3,180,544</u>	<u>-</u>	<u>3,550,784</u>
Total Cash Receipts				
	<u>370,240</u>	<u>3,180,544</u>	<u>-</u>	<u>3,550,784</u>
Cash Disbursements:				
Current:				
General Government	177,172	-	-	177,172
Public Safety	34,062	2,123,788	-	2,157,850
Public Works	6,921	386,135	-	393,056
Health	20,475	-	-	20,475
Human Services	4,050	-	-	4,050
Other	1,813	22,004	-	23,817
Capital Outlay	-	106,582	-	106,582
Personal Services	-	29,528	-	29,528
	<u>244,493</u>	<u>2,668,037</u>	<u>-</u>	<u>2,912,530</u>
Total Cash Disbursements				
	<u>244,493</u>	<u>2,668,037</u>	<u>-</u>	<u>2,912,530</u>
Total Receipts Over Disbursements	<u>125,747</u>	<u>512,507</u>	<u>-</u>	<u>638,254</u>
Fund Cash Balances, January 1	<u>602,947</u>	<u>1,917,790</u>	<u>155</u>	<u>2,520,892</u>
Fund Cash Balances, December 31				
Restricted	-	2,430,297	155	2,430,452
Assigned	91,432	-	-	91,432
Unassigned	637,262	-	-	637,262
	<u>637,262</u>	<u>-</u>	<u>-</u>	<u>637,262</u>
Fund Cash Balances, December 31	<u>\$ 728,694</u>	<u>\$ 2,430,297</u>	<u>\$ 155</u>	<u>\$ 3,159,146</u>

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

**CLINTON TOWNSHIP
FRANKLIN 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>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$ 66,374	\$ 1,828,662	\$ -	\$ 1,895,036
Charges for Services	-	422,802	-	422,802
License, Permits, and Fees	-	28,984	-	28,984
Fines and Forfeitures	-	8,735	-	8,735
Intergovernmental	279,192	827,533	-	1,106,725
Earnings on Investments	5,174	270	-	5,444
Miscellaneous	2,938	92,094	-	95,032
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	353,678	3,209,080	-	3,562,758
Cash Disbursements:				
Current:				
General Government	218,346	-	-	218,346
Public Safety	40,808	2,153,580	-	2,194,388
Public Works	25,728	414,752	190	440,670
Health	20,474	-	-	20,474
Human Services	3,360	-	-	3,360
Other	-	20,000	-	20,000
Capital Outlay	-	61,333	4,377	65,710
Personal Services	-	44,538	-	44,538
Supplies and Materials	-	165,141	-	165,141
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	308,716	2,859,344	4,567	3,172,627
Total Receipts Over/(Under) Disbursements	44,962	349,736	(4,567)	390,131
Fund Cash Balances, January 1	557,985	1,568,054	4,722	2,130,761
Fund Cash Balances, December 31				
Restricted	-	1,917,790	155	1,917,945
Assigned	106,063	-	-	106,063
Unassigned	496,884	-	-	496,884
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$ 602,947	\$ 1,917,790	\$ 155	\$ 2,520,892

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

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**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 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, Franklin 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, police protection, fire protection and emergency medical services. The Township contracts with the City of Upper Arlington to provide fire and emergency medical services to the western segment of the Township.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

The Township values Negotiable CD's 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 for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police District Fund – This fund receives property tax money for the operation of Township police protection and enforcement.

CLINTON TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire District Fund – This fund receives property tax money for the operation of Township fire and emergency medical services.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Lehner Road Project – The Township received a grant from the State of Ohio for engineering and improvements to Lehner Road.

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. Unencumbered appropriations lapse 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. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2012, 2011, and 2010 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

CLINTON TOWNSHIP
FRANKLIN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

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. The Township does not have a formal fund balance policy.

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
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 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:

	2012	2011	2010
Demand deposits (Deposits)	1,739,227	1,440,204	1,810,196
Negotiable CD's (Investments)	1,739,276	1,718,942	710,696
Total Deposits and Investments	3,478,503	3,159,146	2,520,892
Unreconciled/Unposted Balance	(318,623)	(19,881)	(24,162)
Actual Carrying Value	<u>3,159,880</u>	<u>3,139,265</u>	<u>2,496,730</u>

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

Investments: The Federal Reserve holds the Township's Negotiable CD's in book-entry form by, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

3. Budgetary Activity

Budgetary activity for the years ending 2012, 2011, and 2010 follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$259,880	\$296,675	\$36,795
Special Revenue	2,918,297	3,042,958	124,661
Capital Projects	615,000	548,576	(66,424)
Total	<u>\$3,793,177</u>	<u>\$3,888,209</u>	<u>\$95,032</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$540,000	\$279,985	\$260,015
Special Revenue	4,054,095	2,898,434	1,155,661
Capital Projects	615,000	548,576	66,424
Total	<u>\$5,209,095</u>	<u>\$3,726,995</u>	<u>\$1,482,100</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$336,106	\$370,240	\$34,134
Special Revenue	3,089,069	3,180,544	91,475
Capital Projects	615,000	0	(615,000)
Total	<u>\$4,040,175</u>	<u>\$3,550,784</u>	<u>(\$489,391)</u>

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$713,000	\$335,925	\$377,075
Special Revenue	4,057,340	2,980,756	1,076,584
Capital Projects	615,155	0	615,155
Total	\$5,385,495	\$3,316,681	\$2,068,814

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$314,046	\$353,678	\$39,632
Special Revenue	3,799,431	3,209,080	(590,351)
Capital Projects	82,500	0	(82,500)
Total	\$4,195,977	\$3,562,758	(\$633,219)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$768,000	\$414,779	\$353,221
Special Revenue	4,009,406	3,137,689	871,717
Capital Projects	86,877	4,567	82,310
Total	\$4,864,283	\$3,557,035	\$1,307,248

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.

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. Tangible personal property tax is being phased out – the assessment percentage for all property including inventory will be reduced to zero for 2011.

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

5. Retirement Systems

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

5. Retirement Systems (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2012, 2011 and 2010, OP&F participants contributed 10% of their wages. For 2012, 2011, and 2010, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2012, 2011, and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contribution required through December 31, 2012.

6. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting, claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 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.

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, 2012, 2011 and 2010:

<u>Combined Coverage</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets	\$34,771,270	\$35,086,165	\$35,855,252
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>	<u>(10,664,724)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>	<u>\$25,190,528</u>

At December 31, 2012, 2011, and 2010, respectively, the liabilities above include approximately \$8.7, \$9.1, and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$7.9, \$8.6, and \$9.5 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012, 2011, and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$48,322.

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

6. Risk Management (Continued)

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>	
2012	\$48,208
2011	\$49,156
2010	\$47,219

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Changes in Accounting Principles

The Township has implemented Government Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The implementation of this statement resulted in changes to the Township's statement presentation, relating to fund balance classifications, as described above in Note 1F.

8. Subsequent Event

On August 1, 2013, the Township entered into a Joint Economic Development Zone agreement with the City of Grandview Heights, thereby named the Clinton-Grandview Heights Joint Economic Development Zone (the "JEDZ"). The Township will provide the JEDZ with normal Township services, as well as will be responsible for appointing 3 members for the Board of the JEDZ.

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Dave Yost • Auditor of State

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

Clinton Township
Franklin County
3820 Cleveland Avenue
Columbus, Ohio 43224

To the Board of Trustees:

We were engaged to audit the financial statements of Clinton Township, Franklin County, Ohio (the Township) as of and for the years ended December 31, 2012, 2011 and 2010, and the related notes to the financial statements and have issued our report thereon dated January 26, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and for the year ended December 31, 2010, the Township adopted provisions of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We did not opine on these financial statements because we were unable to obtain sufficient appropriate audit evidence over the receipts, expenditures, or fund cash balances at December 31, 2012, 2011, or 2010 and we were unable to satisfy ourselves through alternative audit procedures to support an audit opinion.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-003 and 2012-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our procedures and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002.

Township's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 26, 2015

CLINTON TOWNSHIP
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010

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

FINDING NUMBER 2012-001

Public Funds Converted or Misappropriated – Material Noncompliance/Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

As former fiscal officer for the Township, Rebecca Christian was responsible for handling all cash transactions for the Township, including writing checks and processing payroll through their in-house accounting system. She cut checks and used the electronic signature to sign the checks and she processed payroll via scheduling of electronic transfers from the Township bank account to each individuals bank account, including her own.

On April 1, 2012, the former Fiscal Officer, Rebecca Christian, resigned as Fiscal Officer for the Township because she was not able to get bonded. An investigation was performed by the Auditor of State Special Investigations Unit where Ms. Christian confessed to stealing public funds and was subsequently convicted of theft in office in February 2013 with restitution set at \$137,818, which was the amount identified during the investigation.

Additional procedures were performed during the 2010-2012 audit to ensure completeness of the amounts identified during the aforementioned investigation. We identified an additional \$2,254 of public funds converted or misappropriated.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies converted or misappropriated is hereby issued against Rebecca Christian and Travelers Casualty and Surety Company of America, Rebecca Christian's Bonding Company, jointly and severally, in the amount of \$2,254 and in favor of the Clinton Township General Fund.

FINDING NUMBER 2012-002

Payroll Expenditure – Material Noncompliance/Finding for Recovery – Repaid Under Audit

Ohio Rev. Code Section 505.24 sets the compensation levels of township trustees and **Ohio Rev. Code Section 507.09** sets the compensation level for township fiscal officers.

Through most of 2012, the Fiscal Officer and Trustees were paid monthly at the beginning of each month. However, in the middle of 2012, the Township switched payroll companies and the payment dates were changed. As a result of the change in payroll companies and payment date, Trustees, Paula Armentrout, John Coneglio and Carl Reardon each received their January 2013 pay on December 31, 2012, and the former Fiscal Officer, John Katzman received a second pay for the month of November on the November 29, 2012 payroll. These supplementary payments caused each to be overpaid beyond the allotted amount per the Ohio Rev. Code Sections 505.24 and 507.09.

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2012-002 (Continued)

**Payroll Expenditure – Material Noncompliance/Finding for Recovery – Repaid Under Audit
(Continued)**

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public monies illegally expended in favor of the Township's General Fund was issued against John Coneglio, Carl Reardon, Paula Armentrout, and John Katzman, individually, in the amounts of 1,333, \$1,374, \$1,333, and \$2,030, respectively. On December 22, 2014, John Coneglio repaid \$1,333, on January 28, 2015, Carl Reardon repaid \$1,374, on February 23, 2015 John Katzman repaid \$2,030, and on February 28, 2015 Paula Armentrout repaid \$1,333, which were all posted to the Township's General Fund.

FINDING NUMBER 2012-003

Bank to Book Reconciliation – Material Weakness

Reconciliations between the Township's accounting records and the bank activity should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and Township fund balances.

The Township's fund balances per their accounting records were not reconciled to the bank account balances throughout 2012, 2011 and 2010. Each month's variance between the accounting records and the bank account balances, after considering reconciling items, was unsupported and identified as a miscellaneous adjustment item (Misc Adj). There was no indication that the composition of these variances were properly investigated or identified, nor were the amounts of the variances consistent from month to month nor year to year. Variances ranged from \$100 to \$36,973 as prepared by the Township.

Based upon our reconciliation procedures, we noted the following reconciling items that are known, but the Township has been unable to identify which funds or line items would be affected by these unreconciled amounts and reconciling items and therefore this activity is not reflected in the financial statements and accounting records as of December 31, 2012, 2011 and 2010, respectively:

	2012	2011	2010
Unposted Interest and Miscellaneous Receipts	\$10,358	\$2,771	\$1,211
Net Unposted Expenditures	(346,271)	(26,214)	(22,326)
Unreconciled Variance	<u>17,290</u>	<u>3,562</u>	<u>(3,047)</u>
Effect of Unposted Reconciling Errors	\$318,623	\$19,881	\$24,162

During 2012, unposted charges for service - emergency medical services, intergovernmental, police fees, and franchise fee receipts totaling \$144,889 were identifiable as to fund and classification and were therefore adjusted on the financial statements and accounting records. See also Finding 2012-004 for further information on adjustments to the financial statements and accounting records.

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2012-003 (Continued)

Bank to Book Reconciliation – Material Weakness (Continued)

Errors were also noted in the compilation of the outstanding check lists, as follows:

- No outstanding check list was maintained for 2012.
- The 2011 outstanding check list was understated by \$30,551.
- The 2010 outstanding check list was understated by \$25,455.

As a result of the above errors, we did not opine on the Township's financial statements.

See also Finding 2012-001 for further information on public funds converted or misappropriated, which are included as part of the unposted expenditures for 2012, 2011, and 2010.

Failure to reconcile bank to Township fund balances and include all transactions resulted in errors or irregularities undetected by management and could result in misguided decisions made by the Board based on inaccurate financial reports provided to them. In addition, this resulted in the financial statements being materially misstated.

We recommend the Township reconcile all bank accounts to the accounting records on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances including those noted above should be researched to determine the source of the error. All errors should be corrected on the Township's ledgers following the completion of the reconciliation. In addition, the Trustees should establish review procedures over the reconciliation process.

FINDING NUMBER 2012-004

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Township's Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following posting errors were noted during the review of the December 31, 2012, 2011, and 2010 year-end financial accounting system reports and were adjusted on the financial statements and, where applicable, the accounting records:

- Adjustment for 2012 to increase Intergovernmental Revenue for receipts not posted in the General Fund totaling \$18,783 and in Special Revenue for the Roads Fund \$11,361, Police Fund \$29,211, Fire Fund \$30,241, Gas Tax Fund \$7,289, and Permissive MVL Tax Fund for \$12,585 and to decrease Intergovernmental Revenue for receipts overstated in the MVL Fund for \$9,781.
- Adjustment for 2012 to reclassify Intergovernmental Revenue from Property and Other Local Taxes in the General Fund totaling \$4,102 and in Special Revenue for the Roads Fund \$25,156, Police Fund \$132,619, and Fire Fund \$172,267.
- Adjustment for 2012 to reclassify franchise fees to Property and Other Local Taxes totaling \$32,948, which includes \$11,312 of franchise fees that were not posted.

CLINTON TOWNSHIP
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)

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

FINDING NUMBER 2012-004 (Continued)

Financial Reporting – Material Weakness (Continued)

- Adjustment for 2012 to increase Charges for Services Revenue for receipts not posted in Special Revenue EMS Fund totaling \$26,110.
- Adjustment for 2012 to increase License, Permits and Fees Revenue for receipts not posted in Special Revenue Police Fund totaling \$7,777.
- Adjustment for 2011 to increase Charges for Services Revenue for receipts not posted in the proper period in Special Revenue EMS Fund totaling \$34,784.
- Adjustment for 2010 Interest to increase the General Fund, MVL T Fund, Permissive MVL T Fund by \$1,344, \$11, and \$98, respectively, and decrease the Gasoline Fund by \$1,453.

See also Finding 2012-003 for material unsupported / unadjusted reconciliation variances not included in this finding.

The following posting errors were noted during the review of the December 31, 2012, 2011 and 2010 year-end financial accounting system reports and were immaterial to the financial statements but noted as unadjusted differences:

- 2010 reclassification of revenues from Miscellaneous Revenue and Property Taxes to Intergovernmental Revenue in the General Fund totaling \$10,485.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the Township develop policies and procedures to further enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increases the reliability of the financial data throughout the year.

Official's Response:

The Officials provided the below response to address all findings noted above.

The current Board of Trustees is aware of the lack of oversight on the part of previous Township Boards. Since the inception of the current board, we have undertaken the efforts to implement policy and procedures which will assist in achieving the necessary fiscal oversight of our Township.

Due to nonfeasance of two previous Township Fiscal Officers, the financial records of the Township were in serious disarray. The current Board has implemented many policies and procedures in our efforts to bring Clinton Township into compliance with our obligations as dictated in the Ohio Revised Code. The Board understands the Township still lacks in this area. However, we feel confident that with the assistance of our current Fiscal Officer, we will move forward and will achieve good fiscal standing.

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012, 2011 AND 2010
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

Officials Response (Continued):

This board met with Senior Audit Manager, John Zancourides in June 2012 for a pre-audit meeting. After that meeting, this Board took necessary actions to implement policies and procedures based on the recommendation of the Auditor. The Board found this necessary for us to fulfill our obligation to the Township and will continue to work toward sound financial oversight.

There is one item in the pre-audit review the Board would like to expound upon. That would be the findings in recovery of overpayment in annual compensation to the Board members.

Regarding the finding of the compensation for the Clinton Township Trustees in the year 2012, it appears on the W-2 that the Trustees were overpaid by one month. We have researched this discovered that our payroll processing vendor was under the impression that the elected officials had to be paid on the 1st day of the month. The vendor was hired in the year 2012, and we had to switch systems in July of that year. The extra transfer occurred in December of 2012 when the vendor transferred the money on December 31, 2012, so that the funds would be in the bank on January 1, 2013 which would be a holiday.

**CLINTON TOWNSHIP
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012, 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>
2009-01	Financial Reporting	No	Not Corrected; re-issued as Finding 2012-004
2009-02	Certification of Funds – ORC 5705.41(D)	Yes	



Dave Yost • Auditor of State

CLINTON TOWNSHIP

FRANKLIN 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 7, 2015**