



Dave Yost • Auditor of State

CLARK TOWNSHIP
CLINTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clark Township
Clinton County
8113 Farmers Road
New Vienna, OH 45159

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Clark Township, Clinton County, Ohio (the Government), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Government 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Government as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion

We were unable to obtain sufficient audit evidence to determine the accuracy of the financial statement disbursement function classifications on the financial statements except the Debt Service - Redemption of Principal and Debt Service – Interest and Other Fiscal Charges line items in the Special Revenue Fund Type. The remaining functions comprise 100% of the General, Capital Improvement, and Permanent Fund disbursements and 89.4% and 97.1%, for 2012 and 2011, respectively, of Special Revenue Fund disbursements. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The Government did not present Permanent Fund Type fund balances in accordance with Governmental Accounting Standards Board Statement No. 54 on the statement for the year ending December 31, 2012 and 2011. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Clark Township, Clinton County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013, on our consideration of the Government'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 Government's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D" and a long, sweeping tail on the "y".

Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

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**CLARK TOWNSHIP
CLINTON COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$18,452	\$88,989				\$107,441
Charges for Services		41,673				41,673
Intergovernmental	13,130	118,673				131,803
Earnings on Investments	157					157
Miscellaneous	885	3,956				4,841
<i>Total Cash Receipts</i>	<u>32,624</u>	<u>253,291</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>285,915</u>
Cash Disbursements						
Current:						
General Government	39,618	68,660				108,278
Public Safety		67,464				67,464
Public Works		37,732				37,732
Health	1,500				21	1,521
Debt Service:						
Principal Retirement		14,081				14,081
Interest and Fiscal Charges		6,501				6,501
<i>Total Cash Disbursements</i>	<u>41,118</u>	<u>194,438</u>	<u>0</u>	<u>0</u>	<u>21</u>	<u>235,577</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,494)</u>	<u>58,853</u>	<u>0</u>	<u>0</u>	<u>(21)</u>	<u>50,338</u>
Other Financing Receipts (Disbursements)						
Sale of Capital Assets	2,000					2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(6,494)</u>	<u>58,853</u>	<u>0</u>	<u>0</u>	<u>(21)</u>	<u>52,338</u>
<i>Fund Cash Balances, January 1</i>	<u>20,067</u>	<u>319,863</u>	<u>325</u>	<u>251</u>	<u>8,554</u>	<u>349,060</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	5,000	5,000
Restricted	0	378,716	325	251	3,534	382,826
Unassigned (Deficit)	13,573	0	0	0	(1)	13,572
<i>Fund Cash Balances, December 31</i>	<u>\$13,573</u>	<u>\$378,716</u>	<u>\$325</u>	<u>\$251</u>	<u>\$8,533</u>	<u>\$401,398</u>

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

**CLARK TOWNSHIP
CLINTON COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$16,707	\$85,768				\$102,475
Charges for Services		35,661				35,661
Intergovernmental	18,420	119,646		28,000		166,066
Earnings on Investments	298	47				345
Miscellaneous	20,126	2,000				22,126
<i>Total Cash Receipts</i>	<u>55,551</u>	<u>243,122</u>	<u>0</u>	<u>28,000</u>	<u>0</u>	<u>326,673</u>
Cash Disbursements						
Current:						
General Government	60,112	77,067				137,179
Public Safety		47,854				47,854
Public Works	18,264	15,465				33,729
Health	1,200				15	1,215
Capital Outlay		1,318		189,749		191,067
Debt Service:						
Principal Retirement		4,103				4,103
Interest and Fiscal Charges		2,383				2,383
<i>Total Cash Disbursements</i>	<u>79,576</u>	<u>148,190</u>	<u>0</u>	<u>189,749</u>	<u>15</u>	<u>417,530</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(24,025)</u>	<u>94,932</u>	<u>0</u>	<u>(161,749)</u>	<u>(15)</u>	<u>(90,857)</u>
Other Financing Receipts (Disbursements)						
Sale of Bonds				162,000		162,000
Sale of Capital Assets		2,000				2,000
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>2,000</u>	<u>0</u>	<u>162,000</u>	<u>0</u>	<u>164,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(24,025)</u>	<u>96,932</u>	<u>0</u>	<u>251</u>	<u>(15)</u>	<u>73,143</u>
<i>Fund Cash Balances, January 1</i>	<u>44,092</u>	<u>222,931</u>	<u>325</u>	<u>0</u>	<u>8,569</u>	<u>275,917</u>
Fund Cash Balances, December 31						
Nonspendable	0	0	0	0	5,000	5,000
Restricted	0	319,863	325	251	3,553	323,992
Unassigned (Deficit)	20,067	0	0	0	1	20,068
<i>Fund Cash Balances, December 31</i>	<u>\$20,067</u>	<u>\$319,863</u>	<u>\$325</u>	<u>\$251</u>	<u>\$8,554</u>	<u>\$349,060</u>

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

**CLARK TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, Clinton 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, cemetery maintenance, fire protection and emergency medical services.

The Township participates in a jointly governed organization and the Ohio Township Risk Management Authority (OTARMA) public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Trautwein Joint Township Cemetery- Dodson Township of Highland County, and Clark and Jefferson of Clinton County appoint a three-member Board of Trustees to direct cemetery operations. These entities also provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots. Note 8 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

OTARMA- The pool provides insurance and bonding coverage for the Township. 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.

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:

**CLARK TOWNSHIP
CLINTON COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

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

Fire and Rescue Fund – This fund receives property tax money used for fire protection.

Ambulance and EMS Service Fund – This fund receives property tax money and charges for services used for Emergency Medical Services.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project:

Miscellaneous Capital Project Fund - The Township received a grant and debt proceeds from the United State Department of Agriculture to purchase a fire truck.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery- Carr Trust Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

E. Budgetary Process

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

CLARK TOWNSHIP
CLINTON COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

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 reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 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.

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.

CLARK TOWNSHIP
CLINTON COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

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.

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
Demand deposits	\$394,397	\$342,060
Certificates of deposit	7,000	7,000
Total deposits and investments	<u>\$401,397</u>	<u>\$349,060</u>

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

**CLARK TOWNSHIP
CLINTON COUNTY**

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,673	\$34,624	\$6,951
Special Revenue	231,199	253,291	22,092
Permanent	55	0	(55)
Total	\$258,927	\$287,915	\$28,988

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,025	\$41,118	\$4,907
Special Revenue	547,638	194,459	353,179
Permanent	100	0	100
Total	\$593,763	\$235,577	\$358,186

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,563	\$55,551	(\$12)
Special Revenue	243,902	245,122	1,220
Capital Projects	0	190,000	190,000
Permanent	155	0	(155)
Total	\$299,620	\$490,673	\$191,053

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$92,620	\$79,577	\$13,043
Special Revenue	451,981	148,268	303,713
Capital Projects	189,749	189,749	0
Permanent	200	15	185
Total	\$734,550	\$417,609	\$316,941

Contrary to Ohio law, appropriations exceeded estimated resources in the Miscellaneous Capital Projects fund by \$189,749 for the year ended December 31, 2011.

Ohio Revised Code 5705.41 (D) 1 prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money of money unless a certificate signed by the Fiscal Officer is attached thereto. The Township has contracted to purchase an ambulance for the total price of \$220,427 and did not have a certificate signed and is not reflected in the budgetary expenditures.

**CLARK TOWNSHIP
CLINTON COUNTY**

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

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, 2012 was as follows:

	Principal	Interest Rate
Fire Truck Acquisition Bonds 2011	\$148,700	4.25%
General Obligation Notes		
Total	\$148,700	

The Township issued general obligation bonds to finance the purchase of a new fire truck for Township fire protection. The Township's taxing authority collateralized the bonds.

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

	Fire Truck Acquisition Bonds
Year ending December 31:	
2013	\$20,220
2014	20,229
2015	20,213
2016	20,271
2017	20,200
2018-2021	80,918
Total	\$182,051

**CLARK TOWNSHIP
CLINTON COUNTY**

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

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

7. Risk Management

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

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

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

Casualty and Property Coverage

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 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

**CLARK TOWNSHIP
CLINTON COUNTY**

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

7. Risk Management (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, 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 \$5,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
8,249	8,543

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.

8. Jointly Governed Organizations

Trautwein Joint Township Cemetery- Dodson Township of Highland County, and Clark and Jefferson of Clinton County appoint a three-member Board of Trustees to direct cemetery operations. These entities also provide funding to meet the Cemetery's operating costs under the agreement which established the Cemetery. The Cemetery provides grounds maintenance, opening and closing of graves, and the sale of grave lots. Payments to Trautwein Cemetery totaled \$1,500 and \$1,300 for 2012 and 2011, respectively.

9. Subsequent Events

The Township has entered a contract to purchase an ambulance for \$220,427. The Township received a \$34,000 grant and issued bonds to finance the remaining for the purchase of an ambulance through the United States Department of Agriculture in 2013.



Dave Yost • Auditor of State

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

Clark Township
Clinton County
8113 Farmers Road
New Vienna, OH 45159

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Clark Township, Clinton County, Ohio (the Government), as of and for the years ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2013, wherein we noted the Government followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We qualified our opinion on the classification of expenditures except special revenue debt service redemption of principal and special revenue debt service interest and fiscal charges because audit evidence did not support the classification of expenditures.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Government's internal control over financial reporting (internal control) to determine the audit 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 Government'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 Government'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 2012-001 through 2012-004 described in the accompanying schedule of findings to be material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Entity's Response to Findings

The Government declined to respond to the findings.

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 Government's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Government's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 21, 2013

CLARK TOWNSHIP
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011

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

FINDING NUMBER 2012-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-02 requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Township uses the UAN accounting system to prepare financial statements. The UAN chart of accounts includes the expenditure program codes for many common restricted funds. Revenue and expenditures must be accurately coded in the UAN system to be properly classified on the financial statements. The Township did not accurately code receipts and disbursements resulting in classification errors on the financial statements. Failure to have properly classified financial statements can mislead the users on the activity of the Township.

The Township had known errors that resulted in the following reclassifications on the financial statements:

Opinion Unit	Amount	Proper Classification	Classification Reported	Description
2011 Capital Projects	\$162,000	Other Financing Receipts Sale of Bonds	Intergovernmental Revenue	Bonds were issued to purchase a new fire truck.
2011 Special Revenue	6,500	Intergovernmental Revenue	Taxes	County MVL payment
2012 Special Revenue	6,470	Intergovernmental Revenue	Taxes	County MVL payment
2011 General Fund	17,891	Capital Outlay	Public Works	Payments for building project.

In addition to the known errors, we identified projected classification errors totaling \$54,978 during non-payroll testing.

We recommend that the Township code all transactions using the UAN chart of accounts to ensure that the expenditures are classified correctly on the financial statements. The Township should also establish effective review procedures for transactions posted to the accounting records and the financial statements. This will allow the Township to present accurate financial statements.

FINDING NUMBER 2012-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code, § 5705.131, provides that non-expendable trust principal balances should be excluded from the unencumbered fund balance on the certificate of estimated resources.

Ohio Rev. Code, § 5705.36(A)(3), states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of the excess to the commission, and if the commission determines that the fiscal officer's certification is reasonable, the commission shall certify an amended official certificate reflecting the excess.

Ohio Rev. Code § 5705.36(A)(5) states that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Ohio Rev. Code § 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

We noted the following deficiencies in the Townships budgetary process:

- The principal balance of the permanent funds was included in the estimated resources available. This could result in appropriations that were higher than the amount allowed to be expended.
- The Township received an USDA grant and loan in 2011 totaling \$190,000. The Township was required to request an amended certificate in order to appropriate the expenditures. They did not request an amended certificate for the additional revenue which resulted in appropriations exceeding estimated resources.
- The amount of available resources recorded in the Township's accounting system did not agree to the amended certificate approved by the budget commission in 2011.
- The system generated report, Comparison of Budget and Appropriated, indicates that the Motor Vehicle License fund had appropriations in excess of the available resources in 2011.
- The Township has contracted to purchase an ambulance for the total price of \$220,427 and did not have a certificate signed and did not represent the expenditure in the budgetary expenditure disclosure.

We recommend that the Township limit the certificate of estimated resources to the balances that are available. The estimated resources and appropriations that are approved should be entered into the township's accounting system. The Township's accounting system should be used to monitor the revenues and expenditures at the legal level of control and determine when amended certificates or appropriations need to be approved. Proper monitoring will prevent the township from misappropriating funds and bring the township into compliance with budgetary laws.

FINDING NUMBER 2012-003

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code, § 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void. 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 \$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 – The Fiscal Officer 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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.

The Township did not properly certify the availability of funds for purchase commitments for 24 of 26 or 92% of expenditures tested and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, 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.

**FINDING NUMBER 2012-003
(Continued)**

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 the 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. "Then and Now" certifications over \$3,000 should be approved by ordinance or resolution. We recommend the Township certify all purchases to which section 5705.41(D) applies. 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 commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2012-004

MATERIAL WEAKNESS

Per GASB Codification 1300.108 *Permanent funds* should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

The Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable Fund Balance- The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. (GASB 54 ¶6)

Restricted Fund Balance- The restricted classification is used when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions (City Charter) or enabling legislation. (GASB 54 ¶8)

Committed Fund Balance- The committed fund balance classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. (GASB 54 ¶10)

Assigned Fund Balance- Assigned fund balance includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed (GASB 54 ¶13).

Unassigned Fund Balance- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund (GASB 54 ¶17).

**FINDING NUMBER 2012-004
 (Continued)**

The Township has not formally adopted a policy to define whether the Township considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Auditor of State Bulletin 2011-004 clarifies the impact of GASB 54 on Ohio governmental units and provides guidance on implementation.

The Township received money for trusts that were reported in the Special Revenue Funds and was reported as restricted. Under the GASB 54 guidelines, the funds should have been reported in permanent funds classifying nonspendable and restricted portions of the fund balance.

Description	Adjustment	Reason
2011 Special Revenue Restricted Fund Balance	\$8,553	To reclassify the permanent funds that were classified as special revenue funds.
2011 Permanent Funds Non-spendable Fund Balance	5,000	To show the non spendable portion of the Carr bequest.
2011 Permanent Funds Restricted Fund Balance	3,553	To show the restrict portion of the permanent funds.
2012 Special Revenue Restricted Fund Balance	8,532	To reclassify the permanent funds that were classified as special revenue funds.
2012 Permanent Funds Non-spendable Fund Balance	5,000	To show the non-spendable portion of the Carr bequest.
2012 Permanent Funds Restricted Fund Balance	3,532	To show the restrict portion of the permanent funds.

The accompanying financial statements have been adjusted to reflect this change.

We were not provided information to determine the non-spendable balance in the Lewis Cemetery Bequest Fund and the Township did not report a non-spendable balance for the fund.

We recommend that the Township review the GASB 54 statement and adopt the required fund balance policies. The policy should define whether the auditee considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. The Township should also present permanent funds in accordance with the GASB pronouncements when preparing the financial statements.

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**CLARK TOWNSHIP
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	OAC 117-2-02 Revenues and expenditures were not properly classified	No	Reissued as 2012-001
2010-002	ORC 5705.41 (D) Encumbering noncompliance	No	Reissued as 2012-003
2010-003	ORC 5705 Budgetary noncompliance	No	Reissued as 2012-002
2010-004	Permanent funds not presented in proper opinion unit classification per GASB	No	Reissued as 2012-004

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Dave Yost • Auditor of State

CLARK TOWNSHIP

CLINTON 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
DECEMBER 24, 2013