



Mary Taylor, CPA  
Auditor of State



CLARK TOWNSHIP  
BROWN COUNTY

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# Mary Taylor, CPA

Auditor of State

Clark Township  
Brown County  
224 Bank Street  
Hammersville, Ohio 45130

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

September 26, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Clark Township  
Brown County  
224 Bank Street  
Hammersville, Ohio 45130

To the Board of Trustees:

We have audited the accompanying financial statements of Clark Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain all the necessary supporting documentation to verify the cash receipts, cash disbursements and cash fund balances related to the Emergency Medical Services Fund (Fund 2281), the Emergency Medical Services Donations / Memorial Fund (Fund 2901) and the Fire Levy Fund (Fund 2191) which are reported on the Township's financial statements as Special Revenue Fund types for the years ending December 31, 2005 and 2004.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain all the supporting documentation related to activities in the Special Revenue fund types, all the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Clark Township, Brown County, Ohio as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

September 26, 2007



**CLARK TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$16,398	\$133,803	\$150,201
Intergovernmental	53,509	112,414	165,923
Charges for Services		87,117	87,117
Earnings on Investments	1,397	176	1,573
Other Revenue	<u>3,822</u>	<u>21,761</u>	<u>25,583</u>
Total Cash Receipts	<u>75,126</u>	<u>355,271</u>	<u>430,397</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	50,908	4,033	54,941
Public Safety		219,502	219,502
Public Works	6,082	152,536	158,618
Health	1,321		1,321
Redemption of Principal		35,000	35,000
Interest and Fiscal Charges		20,885	20,885
Capital Outlay	<u>2,500</u>	<u>16,435</u>	<u>18,935</u>
Total Cash Disbursements	<u>60,811</u>	<u>448,391</u>	<u>509,202</u>
Total Receipts Over/(Under) Disbursements	<u>14,315</u>	<u>(93,120)</u>	<u>(78,805)</u>
Fund Cash Balances, January 1	<u>13,584</u>	<u>338,581</u>	<u>352,165</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$27,899</u></b>	<b><u>\$245,461</u></b>	<b><u>\$273,360</u></b>

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

**CLARK TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Local Taxes	\$15,744	\$129,018	\$144,762
Intergovernmental	40,426	116,776	157,202
Charges for Services		56,673	56,673
Licenses, Permits, and Fees	3,809		3,809
Earnings on Investments	743	465	1,208
Other Revenue	1,750	25,771	27,521
	<u>62,472</u>	<u>328,703</u>	<u>391,175</u>
<b>Total Cash Receipts</b>			
	<u>62,472</u>	<u>328,703</u>	<u>391,175</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	55,792		55,792
Public Safety		67,972	67,972
Public Works	26,520	124,272	150,792
Health	1,663		1,663
Miscellaneous		1,000	1,000
Debt Service:			
Redemption of Principal		35,000	35,000
Interest and Fiscal Charges		21,435	21,435
Capital Outlay	1,000	5,272	6,272
	<u>84,975</u>	<u>254,951</u>	<u>339,926</u>
<b>Total Cash Disbursements</b>			
	<u>84,975</u>	<u>254,951</u>	<u>339,926</u>
Total Receipts Over/(Under) Disbursements	<u>(22,503)</u>	<u>73,752</u>	<u>51,249</u>
Fund Cash Balances, January 1 (as restated in Note 2)	<u>36,087</u>	<u>264,829</u>	<u>300,916</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$13,584</b></u>	<u><b>\$338,581</b></u>	<u><b>\$352,165</b></u>

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

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Clark Township, Brown County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and fire protection and emergency medical services. The Township provides fire and emergency medical services to Lewis Township and Scott Township.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

The Township values certificates of deposit at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and deposits that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire Levy Fund – receives proceeds from a tax levy for providing Township residents with fire protection and charges for services revenues from Lewis and Scott Township due to Clark Township providing services to these townships.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end. There were no material encumbrances at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. There were no material encumbrances outstanding as of December 31, 2005 and 2004.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**2. RESTATED SPECIAL REVENUE FUND BALANCE**

The fund balance of the Special Revenue Fund was restated from amounts previously reported as of December 31, 2003. The Township's Emergency Medical Services Department had outside bank accounts that previously were not included on the financial records of the Township. The opening January 1, 2004 fund balances for the Special Revenue funds have been restated to include those outside bank accounts that were eventually turned over to the Township to be included on the Township's financial records. The restatement resulted in changes to balances reported at December 31, 2003 as follows:

	Special Revenue Fund
Fund Balance December 31, 2003 (as previously reported)	\$207,258
Restatement for outside bank accounts	<u>57,571</u>
Fund Balance January 1, 2004 (as restated)	<u>\$264,829</u>

**3. EQUITY IN POOLED CASH DEPOSITS**

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

	2005	2004
Demand deposits	\$247,561	\$326,366
Certificates of deposit	<u>25,799</u>	<u>25,799</u>
Total deposits	<u>273,360</u>	<u>352,165</u>

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

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$66,695	\$75,126	\$8,431
Special Revenue	304,490	355,271	50,781
Total	<u>\$371,185</u>	<u>\$430,397</u>	<u>\$59,212</u>

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**4. BUDGETARY ACTIVITY (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,700	\$60,811	\$19,889
Special Revenue	642,650	448,391	194,259
Total	\$723,350	\$509,202	\$214,148

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$68,710	\$62,472	(\$6,238)
Special Revenue	190,450	328,703	138,253
Total	\$259,160	\$391,175	\$132,015

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$118,653	\$84,975	\$33,678
Special Revenue	383,850	254,951	128,899
Total	\$502,503	\$339,926	\$162,577

**5. PROPERTY TAX**

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

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

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

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$75,000	4%
Fire House Bond	300,000	5%
Total	\$375,000	

In 2003 the Township issued a note in the amount of \$125,000 to finance the purchase of new fire truck to be used for Township fire protection. This note matures in 2008.

In 2000 the Township issued \$350,000 of general obligation bonds to finance the construction of a new firehouse. These bonds mature in 2020.

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

	General Obligation Note	General Obligation Bond
Year ending December 31:		
2006	\$27,805	\$32,530
2007	27,805	31,705
2008	27,805	30,880
2009		30,055
2010		29,230
2011-2015		151,405
2016 – 2020		154,000
Total	\$83,415	\$459,805

**7. RETIREMENT SYSTEMS**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

**8. RISK MANAGEMENT**

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

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

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:



**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$24,392. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Township Contributions to OTARMA</u>	
2003	\$ 9,812
2004	\$10,880
2005	\$12,196

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's 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 was incurred or reported prior to the withdrawal.

**CLARK TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**9. RELATED PARTY TRANSACTIONS**

A Township Trustee is co-owner of the Hammersville Coal and Feed from which the Township made purchases during the audit period. The Township purchased items in the amount of \$2,798 and \$1,835 in 2005 and 2004, respectively.



# Mary Taylor, CPA

Auditor of State

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

Clark Township  
Brown County  
224 Bank Street  
Hammersville, Ohio 45130

To the Board of Trustees:

We have audited the financial statements of Clark Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 26, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and was qualified for omitting financial transactions of the Emergency Medical Services Fund (Fund 2281), the Emergency Medical Services Donations / Memorial Fund (Fund 2901) and the Fire Levy Fund (Fund 2191). We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items as 2005-001 through 2005-004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Government's management dated September 26, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-002 through 2005-004. In a separate letter to the Township's management dated September 26, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Board of Trustees. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 26, 2007

**CLARK TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

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

**FINDING NUMBER 2005-001**

**Material Weakness – Reportable Condition**

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

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

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

In December 2004 the Township received and recorded the proceeds from two certificate of deposits and two bank accounts that were part of the ambulance and emergency medical service department which the department closed. However, the ambulance and emergency medical service department only deposited with the Township part of the funds related to an outside bank account they used for the deposit of emergency medical service billings. This bank account was kept open through out all of 2005 and, thus, not all of the financial activity was recorded on the Township's records and as of December 31, 2005. The account had a balance of \$15,065 that was not deposited with the Township.

In the prior audit, we found that the Chief for the ambulance and emergency medical services department was holding 400 shares of Convergys Corporation common stock that a resident of the Township gave the Hamersville-Clark Life Squad on December 22, 1999. The stock was valued, as of the date of donation, at \$10,724. The Life Squad Chief maintained physical possession of the stock certificate. This certificate was never turned over to the Township. This stock was subsequently sold on April 3, 2007 and the proceeds were paid into the Township. Thus, this stock was not recorded on the Township's financial records or the attached financial statement during 2004 or 2005.

In September 2005 the Township received and recorded \$18,244 in proceeds from a savings account which the Fire Department had maintained. However, we were unable to obtain any documents to support this savings account and to support the receipts, disbursements in this account as well as the balance of this account prior to paying the Township the \$18,244.

**FINDING NUMBER 2005-001  
(Continued)**

The Township's books did not contain all the financial activity of these accounts. As a result of this, the activity of these accounts was not reported on the Annual Report. Adjustments were made to post some of the activity of the accounts; however, we were unable to obtain copies of all the bank statements for each of these accounts, supporting documentation for the deposits made to the various bank accounts, or checks written out of these bank accounts. Thus, we were unable to satisfy ourselves that the financial activity was complete for these accounts.

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

**Officials Response:**

Township is currently working on resolving these issues.

**FINDING NUMBER 2005-002**

**Noncompliance Citation and Reportable Condition**

**Ohio Rev. Code, Section 505.84**, states that a board of township trustees may establish reasonable charges for the use of ambulance or emergency medical services. The statute also states "charges collected under this section shall be kept in a separate fund designated as "the ambulance and emergency medical services fund" and shall be appropriated and administered by the board". These funds shall be used for payment of the costs of the management, maintenance, and operation of ambulance and emergency medical services in the township.

Review of the Township minutes did not reveal that the Trustees had ever established charges to residents for this service which is contrary to the requirements of the Revised Code. Without the Township having documented / approved rates the Township could be charging individuals incorrect rates and possibly not have support for the rates charged. We recommend the Trustees consult with their legal counsel (the County Prosecutor) to assure they are collecting fees according to the requirements of the statute. The Township also may want to perform an analysis of rates they are charging to determine whether they are recovering costs adequately or whether rates need to be adjusted.

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

**Officials Response:**

Township is currently working on resolving these issues.

### FINDING NUMBER 2005-003

#### Noncompliance Citation and Reportable Condition

**Ohio Rev. Code, Section 149.351**, provides that no public records shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provide by law or under the rules adopted by the records commissions provided for under Ohio Rev. Code Sections 149.38 to 149.42.

In addition, **Ohio Rev. Code, Section 149.42**, states in part that when Township records have been approved for disposal, a copy of such records list shall be sent to the Auditor of State of Ohio. If the Auditor disapproves the action by the Township's records commission in whole or in part, she shall inform the Township's commission within a period of sixty days and these records shall not be destroyed. Before public records are otherwise disposed of, the Ohio Historical Society shall be informed and given the opportunity for a period of sixty days to select for its custody or disposal such records as it considered to be of continuing historical value.

The following records could not be located for audit:

- Bank Statements and other supporting documentation such as invoices, copies of checks, etc. for the ambulance and emergency service departments outside bank account with National Bank and Trust account #111922 from December 8, 2004 to December 31, 2005.
- Six invoices totaling \$803 for expenditures related to account #11922,
- Bank account information for the Fire Department's savings account that was held at Citizens Bank of Higginsport for the period of January 1, 2004 until it was closed and amounts paid in to the Township on September 30, 2005.
- Bank Statements and other supporting documentation such as invoices, EMS run statements, etc. for the ambulance and emergency service department's outside bank account with National Bank and Trust account #11261580 from November 2005 through March 2005 and December 2005.
- Certificate of Deposit (CD) documentation for the ambulance and emergency service department's National Bank and Trust CD #9001596600.

The lack of these records did not provide adequate documentation for the Township to reconstruct all the financial activity related to these outside accounts during the audit period. Various individuals at the Township were contacted to obtain these records however there was not one central place where all the required documents were maintained. During the audit period there were some changes in personnel that maintained the various records and we did not find that these records were always passed on to the next individual responsible for record maintenance. The Township disposed of records without proper authorization of the Township's records commission, the Auditor of State of Ohio, and the Ohio Historical Society. We recommend the Township maintain all records as required by law.

#### Officials Response:

Township is currently working on resolving these issues.

**FINDING NUMBER 2005-004**

**Noncompliance and Reportable Condition**

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

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

From our review of the documentation that was provided we found that one of the Hamersville-Clark Township EMS accounts had expenditures for, among other things: flowers, food for a Christmas party and t-shirts. These expenditures totaled \$1,928. The expenditures were not covered under any written or adopted policy. Without the oversight of the Trustees in setting policies and reviewing these type of expenditures it could lead to expenditures occurring which were not for a proper public purpose. We recommend the Township establish and follow policies and procedures to assure that public funds are expended for a proper public purpose.

**Officials Response:**

Township is currently working on resolving these issues.



**CLARK TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC 5705.41(B) expenditures exceeding appropriations	Yes	
2003-002	ORC 505.84 failure to establish reasonable charges for ambulance and emergency services to the public	No	Reissued as Finding Number 2005-002
2003-003	Separate bank accounts maintained by the ambulance and emergency medical services department should be deposited and included in the township financial accounting records	No	Reissued as Finding Number 2005-001





**Mary Taylor, CPA**  
Auditor of State

**CLARK TOWNSHIP**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 11, 2007**