



Dave Yost • Auditor of State



**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

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# Dave Yost • Auditor of State

Clearcreek Township  
Warren County  
7593 Bunnell Hill Road  
Springboro, Ohio 45066

To the Board of Trustees:

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

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**Dave Yost**  
Auditor of State

July 30, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Clearcreek Township  
Warren County  
7593 Bunnell Hill Road  
Springboro, Ohio 45066

To the Board of Trustees:

We have audited the accompanying financial statements of Clearcreek Township, Warren County, Ohio (the Township), as of and for the year ended December 31, 2010. The financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the year ended December 31, 2010 does 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, 2010, or its changes in financial position for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 30, 2012

**CLEARCREEK TOWNSHIP  
WARREN 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>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$839,099	\$5,917,999	\$6,757,098
Charges for Services		501,786	501,786
Licenses, Permits, and Fees	98,370	55,469	153,839
Fines and Forfeitures	30,365	23,143	53,508
Intergovernmental	568,364	1,562,400	2,130,764
Special Assessments		143,833	143,833
Earnings on Investments	66,930		66,930
Miscellaneous	31,459	130,926	162,385
	<u>1,634,587</u>	<u>8,335,556</u>	<u>9,970,143</u>
<b>Total Cash Receipts</b>			
	<u>1,634,587</u>	<u>8,335,556</u>	<u>9,970,143</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	833,606	91,359	924,965
Public Safety	14,601	6,679,835	6,694,436
Public Works	110,215	1,104,935	1,215,150
Conservation - Recreation	585,608		585,608
Capital Outlay	993,229	164,867	1,158,096
Debt Service:			
Redemption of Principal	15,510	220,000	235,510
Interest and Other Fiscal Charges		19,470	19,470
	<u>2,552,769</u>	<u>8,280,466</u>	<u>10,833,235</u>
<b>Total Cash Disbursements</b>			
	<u>2,552,769</u>	<u>8,280,466</u>	<u>10,833,235</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(918,182)</u>	<u>55,090</u>	<u>(863,092)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Other Debt Proceeds	593,637		593,637
	<u>593,637</u>		<u>593,637</u>
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>593,637</u>	<u>0</u>	<u>593,637</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(324,545)</u>	<u>55,090</u>	<u>(269,455)</u>
<b>Fund Cash Balances, January 1</b>	<u>1,205,539</u>	<u>11,068,112</u>	<u>12,273,651</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$880,994</b></u>	<u><b>\$11,123,202</b></u>	<u><b>\$12,004,196</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$130,351</b></u>	<u><b>\$104,440</b></u>	<u><b>\$234,791</b></u>

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

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**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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 the Clearcreek Township, Warren 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, police and fire protection and emergency medical services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. OTARMA provides property and casualty coverage for its members. Note 7 to the financial statements provide additional information for this entity.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

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

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

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

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 Fund – This fund receives property tax money for providing fire protection to Township residents.

Police Fund – This fund receives property tax money for providing police protection to Township residents.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 budgetary activity appears in Note 3.

**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.

**G. 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.

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 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:

	2010
Demand deposits	\$93,376
Total deposits	93,376
STAR Ohio	91,718
Fifth Third Securities Account	11,819,102
Total investments	11,910,820
Total deposits and investments	\$12,004,196

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

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. Budgetary Activity**

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,375,500	\$2,228,224	\$852,724
Special Revenue	7,144,985	8,335,556	1,190,571
Total	\$8,520,485	\$10,563,780	\$2,043,295

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,199,190	\$2,683,120	(\$483,930)
Special Revenue	10,378,647	8,384,906	1,993,741
Total	\$12,577,837	\$11,068,026	\$1,509,811

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$483,930 for the year ended December 31, 2010.

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(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, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$225,000	4.125% - 4/25%
Promissory Note	536,284	5.00%
Bobcat Lease	41,843	5.50%
Total	<u>\$578,127</u>	

The Township issued general obligation bonds in 2002 to finance the construction of two fire substations and fire apparatus to be used by the Township for fire operations. The bonds are collateralized solely by the Township's taxing authority.

During 2010, the Township issued a promissory note to finance the purchase of land at an interest rate of 5% for a period of 8 years. The Township's note is secured by a first mortgage.

During 2010, the Township entered into a lease for a Bobcat Turbo with the option to purchase the equipment for \$1.00 at the end of the lease period.

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

Year ending December 31:	<u>Promissory Note</u>	<u>Bobcat</u>	<u>General Obligation Bonds</u>
2011	\$85,000	\$15,510	\$234,900
2012	85,000	15,510	
2013	85,000	14,703	
2014	85,000		
2015	85,000		
2016-2020	235,662		
Total	<u>\$660,662</u>	<u>\$45,723</u>	<u>\$234,900</u>

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010  
(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 these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010, OPERS Law Enforcement members contributed 11.1 and OPERS members contributed 10% of their gross salaries. The Township contributed an amount equaling 17.87 and 14% respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**7. Risk Pool Membership**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 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, 2010 and 2009:

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

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

**7. Risk Pool Membership (Continued)**

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$45,084.

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>2010</u>
<b>\$60,927</b>

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. Contingent Liabilities**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



# Dave Yost • Auditor of State

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

Clearcreek Township  
Warren County  
7593 Bunnell Hill Road  
Springboro, Ohio 45066

To the Board of Trustees:

We have audited the financial statements of Clearcreek Township, Warren County, Ohio (the Township), as of and for the year ended December 31, 2010, and have issued our report thereon dated July 30, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider findings 2011-01 and 2011-04 to be significant deficiencies. 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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-02 and 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 30, 2012.

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

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



**Dave Yost**  
Auditor of State

July 30, 2012

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
----------------------------------------------------------------------------------------------------------

**FINDING NUMBER 2010-01**

**Significant Deficiency**

The Township uses the Uniform Accounting Network (UAN) to process its transactions. This system provides the user with the ability 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. Additionally, the UAN system allows the user to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. The Township did not properly utilize the UAN system which resulted in conditions identified below.

The management of the Township is responsible for the design and implementation of an internal control process that provides reasonable assurance of the integrity of its financial reporting, the safeguarding of assets, the efficiency and effectiveness of its operations, and its compliance with applicable laws, regulations, and contracts. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

We noted the following significant audit adjustments that were required to be made to the financial statements:

- The Township did not record the loan proceeds and the subsequent payment for the purchase of land for \$536,284 and the purchase of a Bobcat Turbo for \$57,353 for a combined total of \$593,637;
- A principal payment in the amount of \$15,510 was posted to the capital outlay line item instead of principal payment in the General Fund;
- Permissive Motor Vehicle License fees totaling \$25,056 were incorrectly posted to the intergovernmental line item in the Motor Vehicle License Fund;
- Homestead and Rollback fees in the amount of \$96,087 were posted incorrectly posted to the intergovernmental line item in the Road and Bridge Fund instead of posting the receipt to the Police Levy Fund;
- The Fiscal Officer was not properly reconciling the book balance to the bank's activity. Interest earnings were not posted correctly therefore; the book balance was overstated by \$116,806. The Fifth Third investment also has quarterly fees that are included in the withdrawal amounts; however, these fees were not posted to the Township's system.

**FINDING NUMBER 2010-01  
 (Continued)**

The following table reflects the net effect of the reclassifications and adjustments to the financial statements. The Township made the adjustments to their financial records and accounting records to reflect receipts and expenditures in the proper funds.

<b>Fund</b>	<b>Net Fund Balance Adjustment</b>
General Fund	(\$115,810)
Motor Vehicle License Fund	(\$25,099)
Permissive Motor Vehicle License Fund	\$25,007
Road and Bridge Fund	(\$96,087)
Police Levy Fund	\$96,087
Gas Tax Fund	(\$904)

Prior to these adjustments, the records maintained by the Fiscal Officer were not an accurate reflection of all monies received and expended by the Township. Failure to accurately prepare and reconcile the accounting records 1) reduces the accountability over Township funds, 2) reduces the Township's ability to monitor financial activity and make informed financial decisions, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the financial statements will be misstated.

We recommend the Fiscal Officer accurately maintain the accounting records in accordance with the uniform accounting system prescribed by the Auditor of State. The Board of Trustees should follow procedures to properly monitor the Board's financial activity.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

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.

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.

**FINDING NUMBER 2010-02  
(Continued)**

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

The Township did not properly certify the availability of funds for 25% of the transactions tested in 2010. There was no evidence that the Township followed the aforementioned exceptions. 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. 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.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2010-03**

**Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41 (B)**, states, no subdivision or taxing unit is to expend money unless it has been appropriated. The General Fund's expenditures of \$2,683,120 exceeded appropriations of \$2,199,190 by \$483,930 during 2010. Failure of the Township to monitor budgetary activity could result in overspending and negative fund balances. We recommend that the Township monitor their budgetary activity and amend appropriations, when deemed necessary. By regularly reviewing the budgetary documents throughout the year, the Township will be better able to determine when amendments need to be made to original appropriations thus avoiding negative fund/account balances, and will be better prepared for making decisions which affect the overall cash position of the Township.

## FINDING NUMBER 2010-04

### Significant Deficiency

The Township uses the Uniform Accounting Network (UAN) to process its transactions. This system provides the user with the ability 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.

Additionally, the UAN system allows the user to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

The Township should have a financial statement review process in place to identify differences between the budgetary documentation approved by the Trustees and the UAN system budgetary records and what is recorded in the notes to the financial statements. Lack of such a system is considered to be a control deficiency. The Township should use due care to ensure that the budgetary amounts on their official documents match the budgetary amounts posted to the UAN accounting system.

The following conditions were identified:

- The appropriations posted to the Township's ledgers exceeded those passed by the Board in the General Fund by \$71,504; and
- Estimated receipts posted to the Township's ledgers exceeded those passed by the Board in the Zoning Fund (2181) by \$71,278.

We recommend that the Fiscal Officer post budgetary items to the system exactly as they are passed by the Trustees, and that the Trustees review budgetary reports from the system to ensure their accuracy. We also recommend that the Fiscal Officer develop a system to make sure that the approved budgetary amounts are properly included in the financial statements.

**The Officials did not respond to the findings reported above.**

**CLEARCREEK TOWNSHIP  
WARREN COUNTY**

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

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>
2009-001	Improper posting of receipts	No	Reissued as Finding 2010-01
2009-02	Ohio Rev. Code 5705.41 (D), funds were not properly encumbered or certified	No	Reissued as Finding 2010-02
2009-03	Ohio Administrative Code, § 117-2-02(C)(1), budgetary amounts were not properly posted to the UAN system.	No	Reissued as Finding 2010-04

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# Dave Yost • Auditor of State

**CLEARCREEK TOWNSHIP**

**WARREN 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  
AUGUST 14, 2012**