



Dave Yost • Auditor of State

CLEARCREEK TOWNSHIP
WARREN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Clearcreek Township, Warren County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. 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 Township'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 Township'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 audit opinion.

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

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

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Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Clearcreek Township, Warren County, Ohio as of December 31, 2014 and 2013, 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(D) 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 September 10, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2015

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$897,578	\$7,083,242	\$7,980,820
Charges for Services	0	511,343	511,343
Licenses, Permits and Fees	291,284	48,005	339,289
Fines and Forfeitures	19,858	4,577	24,435
Intergovernmental	482,640	1,172,114	1,654,754
Special Assessments	0	159,257	159,257
Earnings on Investments	101,268	2,256	103,524
Miscellaneous	71,448	110,114	181,562
<i>Total Cash Receipts</i>	<u>1,864,076</u>	<u>9,090,908</u>	<u>10,954,984</u>
Cash Disbursements			
Current:			
General Government	858,947	220	859,167
Public Safety	898	8,318,183	8,319,081
Public Works	144,358	1,194,252	1,338,610
Health	17,500	26,835	44,335
Conservation-Recreation	854,694	6,221	860,915
Capital Outlay	25,882	697,721	723,603
Debt Service:			
Principal Retirement	67,357	0	67,357
Interest and Fiscal Charges	17,643	0	17,643
<i>Total Cash Disbursements</i>	<u>1,987,279</u>	<u>10,243,432</u>	<u>12,230,711</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(123,203)</u>	<u>(1,152,524)</u>	<u>(1,275,727)</u>
Other Financing Receipts (Disbursements)			
Transfers In	201	56,825	57,026
Transfers Out	(57,026)	0	(57,026)
Other Financing Sources	7,427	70,829	78,256
Other Financing Uses	(194,941)	0	(194,941)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(244,339)</u>	<u>127,654</u>	<u>(116,685)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(367,542)</u>	<u>(1,024,870)</u>	<u>(1,392,412)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,436,182</u>	<u>12,391,406</u>	<u>13,827,588</u>
Fund Cash Balances, December 31			
Restricted	0	11,362,186	11,362,186
Committed	0	2,720	2,720
Assigned	54,578	1,630	56,208
Unassigned (Deficit)	1,014,062	0	1,014,062
<i>Fund Cash Balances, December 31</i>	<u>\$1,068,640</u>	<u>\$11,366,536</u>	<u>\$12,435,176</u>

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$885,004	\$6,993,299	\$7,878,303
Charges for Services	0	517,667	517,667
Licenses, Permits and Fees	185,175	35,914	221,089
Fines and Forfeitures	25,882	5,438	31,320
Intergovernmental	415,004	1,384,604	1,799,608
Special Assessments	0	155,516	155,516
Earnings on Investments	11,064	4,573	15,637
Miscellaneous	45,009	113,814	158,823
<i>Total Cash Receipts</i>	<u>1,567,138</u>	<u>9,210,825</u>	<u>10,777,963</u>
Cash Disbursements			
Current:			
General Government	758,068	1,401	759,469
Public Safety	720	8,024,081	8,024,801
Public Works	140,343	929,008	1,069,351
Health	16,136	0	16,136
Conservation-Recreation	592,842	0	592,842
Capital Outlay	23,143	326,769	349,912
Debt Service:			
Principal Retirement	78,851	0	78,851
Interest and Fiscal Charges	21,659	0	21,659
<i>Total Cash Disbursements</i>	<u>1,631,762</u>	<u>9,281,259</u>	<u>10,913,021</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(64,624)</u>	<u>(70,434)</u>	<u>(135,058)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	62,205	0	62,205
<i>Total Other Financing Receipts (Disbursements)</i>	<u>62,205</u>	<u>0</u>	<u>62,205</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,419)</u>	<u>(70,434)</u>	<u>(72,853)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,438,601</u>	<u>12,461,840</u>	<u>13,900,441</u>
Fund Cash Balances, December 31			
Restricted	0	12,383,985	12,383,985
Committed	0	6,141	6,141
Assigned	20,263	1,280	21,543
Unassigned (Deficit)	1,415,919	0	1,415,919
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,436,182</u></u>	<u><u>\$12,391,406</u></u>	<u><u>\$13,827,588</u></u>

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014**

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. 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

The Township values U.S. Treasury Notes at cost. 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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:

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.

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.

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. 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 approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated if they were secured by a Purchase Order. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year, if they were secured using a blanket certificate. While the law requires that management encumber all commitments, the 2015 audit shows that the Township did not encumber approximately 5-percent of its expenditures prior to spending the money.

A summary of 2013 and 2014 budgetary activity appears in Note 3.

CLEARCREEK TOWNSHIP
WARREN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)

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

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. Non-spendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

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:

	2013	2014
Demand deposits	\$46,081	\$30,186
National Bank & Trust Investments	12,576,935	11,383,000
STAR Ohio	1,204,572	1,021,990
Total deposits and investments	\$13,827,588	\$12,435,176

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

Investments: The financial institution maintains records identifying the Township as owner of these securities.

A financial institution's trust department holds the Township's individual bonds and certificates of deposits securities in book entry form in the Township's name.

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 2013 and 2014 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,378,857	\$1,629,343	\$250,486
Special Revenue	8,734,955	9,210,825	475,570
Total	\$10,113,812	\$10,840,168	\$726,356

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)**

3. Budgetary Activity (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,329,766	\$1,652,025	\$677,741
Special Revenue	10,908,282	9,284,079	1,624,203
Total	\$13,238,048	\$10,936,104	\$2,301,944

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,429,000	\$1,871,704	\$442,704
Special Revenue	8,691,925	9,218,562	526,637
Total	\$10,120,925	\$11,090,266	\$969,341

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,724,591	\$2,239,246	\$430,767
Special Revenue	\$ 11,769,700	10,828,152	941,548
Total	\$14,494,291	\$13,121,976	\$1,372,315

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.

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)**

5. Debt

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Promissory Note	285,496	0%
Total	\$285,496	

The Township owes four years of annual payments of \$71,374 each for 2015, 2016, 2017 and 2018 to finalize the purchase of the Thomas Gitzinger land for future park land. Mr. Gitzinger has agreed to not charge interest.

	Promissory Note
Year ending December 31:	
2015	\$71,374
2016	71,374
2017	71,374
2018	71,374
Total	\$285,496

6. Retirement Systems

The Township's certified full-time Fire Fighters/Paramedics belong to Ohio Police & Fire Pension Fund (OP&F). Full-time Police Officers receive Ohio Public Employee Retirement System (OPERS) benefits. Other employees, including part-time police officers, also belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits. Part-time firefighters pay into Social Security.

The Ohio Revised Code also prescribes contribution rates. For the first half of 2013, OP&F firefighters contributed 10-percent of their wages, while the Township contributed 24-percent. Beginning on July 1, 2013 and throughout 2014, participants contributed 10.75-percent, with the Township contributing 24-percent. OPERS Law members contributed 12.6-percent and 13-percent, respectively, of their gross salaries for 2013 and 2014, and the Township contributed an amount equaling 18.10-percent for both years, respectively, of participants' gross salaries.

Additionally, all other departments and part-time police officers contributed to the OPERS-G account. They paid 10-percent of their wages, which was matched by 14-percent from the Township. The Township does not "pick up" any employee's share of their retirement. The Township has paid all contributions required through December 31, 2014.

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.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)**

7. Risk Management (Continued)

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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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, 2013 and 2014

	<u>2013</u>	<u>2014</u>
Assets	\$35,970,263	\$34,954,286
Liabilities	(8,912,432)	(8,486,363)
Net Position	\$27,057,831	\$26,467,923

Number of members 957 (2014) 948 (2013)

Unpaid claims to be billed in the future:

Approx. \$7.2 million (2014) Approx. \$7.5 million (2013)

The Casualty & Property Coverage assets and retained earnings above include approximately \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of

December 31, 2014. OTARMA will collect these amounts in future annual contributions billings when OTARMA's related liabilities are due for payment. The District's share of these unpaid claims is approximately \$40,000.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2014
(Continued)**

7. Risk Management (Continued)

The pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool, however, they do not discharge the Pool's primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York Risk Pooling Services, Inc. (YORK). APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2014 the Pool retained \$350,000 for casualty claims and \$250,000 for property claims.) The Board of Directors and YORK periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

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 OTARMA member.

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$8.3 million and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 and \$7.5 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$40,000.

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>2013</u>	<u>2014</u>
\$77,093	\$77,268

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.



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*

Clearcreek Township
Warren County
7953 Bunnell Hill Road
Springboro, Ohio 45066

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 Clearcreek Township, Warren County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 10, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township'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 Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 10, 2015

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and performing analytical procedures to determine the reasonableness of financial data.

The Township did not accurately apply Governmental Accounting Standards Board (GASB) Statement number 54 when classifying December 31, 2013 and 2014 fund balances. These misclassifications resulted in material errors in the financial statements and audit adjustments were required to accurately report the financial activity:

2013 General Fund

- Ending Committed Fund Balance was overstated by \$1,436,182.
- Ending Unassigned Fund Balance was understated by \$1,415,919.
- Ending Assigned Fund Balance was understated by \$20,263.

2013 Special Revenue Funds

- Ending Committed Fund Balance was overstated \$61,659.
- Ending Restricted Fund Balance was understated by \$60,379.
- Ending Assigned Fund Balance was understated by \$1,280.

2014 General Fund

- Ending Committed Fund Balance was overstated by \$1,068,640.
- Ending Unassigned Fund Balance was understated by \$1,014,062.
- Ending Assigned Fund Balance was understated by \$54,578.

2014 Special Revenue Funds

- Ending Committed Fund Balance was overstated by \$69,442.
- Ending Restricted Fund Balance was understated by \$67,812.
- Ending Assigned Fund Balance was understated by \$1,630.

Adjustments to correct the errors above are reflected in the financial statements and notes.

**FINDING NUMBER 2014-001
(Continued)**

When fund balances are not accurately classified, Township officials and management do not have accurate information as to the amount of fund balances that are restricted or committed for specific purposes. We recommend that the Township develop and implement procedures to ensure accurate accounting for year-end fund balances. We also recommend that the Township review Auditor of State Bulletin 2011-004 for guidelines in classifying fund balances in accordance with GASB Statement number 54.

FINDING NUMBER 2014-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed and performing analytical procedures to determine the reasonableness of financial data.

The Township did not properly report financial activity for the years ended December 31, 2013 and 2014 as noted in the following:

- In 2013, monies received relating to the second half Rollback and Homestead settlement in the amount of \$8,757 from Montgomery County was posted entirely to the General Fund. The correct posting should have been \$1,485 to the General Fund and \$7,272 to the Fire District Fund.
- In 2013, a fuel tax settlement in the amount of \$915 intended for the Motor Vehicle License Tax Fund was incorrectly posted to the Permissive Motor Vehicle License Tax Fund.
- In 2013, the Township recorded all monies received from the Permissive Motor Vehicle License Tax as Intergovernmental; however, a portion should have been posted to Property and Other Local Taxes. Of all Permissive Motor Vehicle License Tax monies received, \$114,142 should have been posted as Property and Other Local Taxes in the Permissive Motor Vehicle License Tax Fund. This amount includes one settlement in the amount of \$9,796 that was incorrectly posted to the North Bunnell Hill Road Fund.
- In 2013, the Township recorded a Traffic Safety grant in the amount of \$20,638 in the Police District Fund as Licenses, Permits, and Fees rather than Intergovernmental.
- In 2013, the Township posted a refund of taxes from prior years in the amount of \$62,205 into the General Fund as Intergovernmental rather than Other Financing Sources.
- In 2013, The Township posted a portion of Local Government funds in the amount of \$282 to Miscellaneous within the General Fund rather than Intergovernmental.
- In 2013, the Township posted the lease payment in the amount of \$15,510 on the Bobcat to Conservation - Recreation rather than being allocated to Debt Service Principal Retirement and Interest. The Township should have posted \$14,701 to Debt Service – Principal and \$809 to Debt Service – Interest and Fiscal Charges.
- In 2014, the Township posted the refund of excess real estate fees from the Warren County Auditor entirely into the General Fund. The amount of the settlement was \$78,256. Of this amount, \$8,163 should have been posted to the Road and Bridge Fund, \$26,236 should have been posted to the Police District Fund, and \$36,429 to the Fire District Fund.

**FINDING NUMBER 2014-002
(Continued)**

- In 2014, the Township posted proceeds of the second half Rollback and Homestead settlement entirely to Property and Other Local Taxes instead of Intergovernmental. However, all amounts were posted to the proper funds. The amount of misstatement was \$46,558 in the General Fund, \$27,935 in the Road and Bridge Fund, \$116,396 in the Police District Fund, and \$274,694 in the Fire District Fund.
- In 2014, the Township posted the second half Street Lighting Assessment settlement in the amount \$74,149 into Lighting Assessment Fund as a Transfer In rather than as Special Assessments.
- In 2014, a gasoline tax settlement intended for the Motor Vehicle License Tax Fund in the amount of \$2,951 was incorrectly posted to the Permissive Motor Vehicle License Tax Fund.
- In 2014, the Township recorded all monies received from the Permissive Motor Vehicle License Tax as Intergovernmental. Of all Permissive Motor Vehicle License Tax monies received, \$111,194 should have been posted as Property and Other Local Taxes.
- In 2014, the Township recorded a Traffic Safety grant in the amount of \$34,624 in the Police District Fund as Licenses, Permits, and Fees rather than Intergovernmental.
- In 2014, the Township recorded \$296 in the Government Center Vending Machine Fund as Transfers In rather than Miscellaneous.

The Township has posted these adjustments to the financial statements and accounting records, where appropriate.

Failure to accurately report financial activity can result in inaccurate financial statements. The Township should implement an effective monitoring control system to assist management in detecting material misstatements in financial or other information.

Officials' Response:

Township officials did not respond to the above findings.

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**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Failure to properly classify fund balances per GASB Statement Number 54.	No.	Reissued as Finding Number 2014-001

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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
OCTOBER 6, 2015**