



Mary Taylor, CPA
Auditor of State

CLEARCREEK TOWNSHIP
WARREN COUNTY

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Mary Taylor, CPA
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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 22, 2010

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Mary Taylor, CPA

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 years ended December 31, 2009 and 2008. 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.

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.

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 statements referred to above for the years ended December 31, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Clearcreek Township, Warren County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 February 22, 2010, 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

February 22, 2010

**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, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$924,283	\$5,929,636	\$6,853,919
Charges for Services		512,669	512,669
Licenses, Permits, and Fees	89,334	34,725	124,059
Fines and Forfeitures	13,517		13,517
Intergovernmental	740,571	1,570,381	2,310,952
Special Assessments		102,734	102,734
Earnings on Investments	56,606	4,477	61,083
Miscellaneous	212,828	60,834	273,662
	<u>2,037,139</u>	<u>8,215,456</u>	<u>10,252,595</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
General Government	733,393	54,866	788,259
Public Safety	902	6,063,212	6,064,114
Public Works	66,255	1,295,342	1,361,597
Human Services		46,205	46,205
Conservation - Recreation	708,209		708,209
Capital Outlay	182,213	335,374	517,587
Debt Service:			
Redemption of Principal		210,000	210,000
Interest and Other Fiscal Charges		28,395	28,395
	<u>1,690,972</u>	<u>8,033,394</u>	<u>9,724,366</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>346,167</u>	<u>182,062</u>	<u>528,229</u>
Fund Cash Balances, January 1	<u>859,372</u>	<u>10,885,885</u>	<u>11,745,257</u>
Fund Cash Balances, December 31	<u>\$1,205,539</u>	<u>\$11,067,947</u>	<u>\$12,273,486</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$109,306</u>	<u>\$109,306</u>

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

**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, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$909,271	\$5,715,200	\$0	\$6,624,471
Charges for Services		542,772		542,772
Licenses, Permits, and Fees	92,029	35,700		127,729
Fines and Forfeitures	15,002			15,002
Intergovernmental	569,809	1,421,491		1,991,300
Special Assessments		105,310		105,310
Earnings on Investments	282,027	26,444		308,471
Miscellaneous	12,052	142,589		154,641
Total Cash Receipts	<u>1,880,190</u>	<u>7,989,506</u>	<u>0</u>	<u>9,869,696</u>
Cash Disbursements:				
Current:				
General Government	784,105	49,384		833,489
Public Safety	5,418	6,178,687		6,184,105
Public Works	278,196	719,847		998,043
Health	4,534			4,534
Conservation - Recreation	1,330,105			1,330,105
Capital Outlay	732,945	548,726	35	1,281,706
Debt Service:				
Redemption of Principal		200,000		200,000
Interest and Other Fiscal Charges		36,645		36,645
Total Cash Disbursements	<u>3,135,303</u>	<u>7,733,289</u>	<u>35</u>	<u>10,868,627</u>
Total Receipts Over/(Under) Disbursements	<u>(1,255,113)</u>	<u>256,217</u>	<u>(35)</u>	<u>(998,931)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		6,000		6,000
Transfers-Out	(6,000)			(6,000)
Total Other Financing Receipts / (Disbursements)	<u>(6,000)</u>	<u>6,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	<u>(1,261,113)</u>	<u>262,217</u>	<u>(35)</u>	<u>(998,931)</u>
Fund Cash Balances, January 1	<u>2,120,485</u>	<u>10,623,517</u>	<u>35</u>	<u>12,744,037</u>
Fund Cash Balances, December 31	<u><u>\$859,372</u></u>	<u><u>\$10,885,734</u></u>	<u><u>\$0</u></u>	<u><u>\$11,745,106</u></u>
Reserve for Encumbrances, December 31	<u><u>\$3,791</u></u>	<u><u>\$174,075</u></u>	<u><u>\$0</u></u>	<u><u>\$177,866</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, 2009 AND 2008**

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 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 the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool, which is available to Ohio townships. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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:

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.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). In 2008, the Township closed the Computer Fund which was used to upgrade the Township's computer systems.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for items that should have been encumbered.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2009 and 2008 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.

2. Equity in Pooled Cash and Investments

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

	2009	2008
Demand deposits	\$304,583	\$904,731
Total deposits	304,583	904,731
STAR Ohio	91,618	10,840,375
Fifth Third Securities Account	200,000	
Fifth Third Bonds	11,677,285	
Total investments	11,968,903	10,840,375
Total deposits and investments	\$12,273,486	\$11,745,106

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: Investments in STAR Ohio and are not evidenced by securities that exist in physical or book-entry form. Investments in Fifth Third Securities are held by Fifth Third and in the Township's name.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,611,100	\$2,037,139	\$426,039
Special Revenue	7,456,561	8,215,456	758,895
Total	\$9,067,661	\$10,252,595	\$1,184,934

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,247,442	\$1,690,972	\$556,470
Special Revenue	10,731,513	8,142,700	2,588,813
Total	\$12,978,955	\$9,833,672	\$3,145,283

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,537,000	\$1,880,190	\$343,190
Special Revenue	7,376,381	7,995,506	619,125
Capital Projects	68,244	0	(68,244)
Total	\$8,981,625	\$9,875,696	\$894,071

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,450,282	\$3,145,094	\$305,188
Special Revenue	10,366,120	7,907,364	2,458,756
Capital Projects	35	35	0
Total	\$13,816,437	\$11,052,493	\$2,763,944

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.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$445,000	4.125% to 4.25%
Total	\$445,000	

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.

The Township entered into a lease-purchase agreement in 2005 for the purchase of a dump truck in the amount of \$73,387. The Township made yearly lease payments of \$21,227 from the General Fund Capital Outlay line item. The dump truck served as collateral. The last payment was made in 2009.

The Township entered into the land purchase promissory note with Dayton Foundation Realty One, LLC on April 3, 2007 for the purchase of 10 acres immediately north of the Township Government Center and Maintenance Facilities. The purchase is to provide land for future expansion of the Government Center and Maintenance Facilities. The purchase cost was \$505,461 and total interest on the promissory note is \$27,653. The Township made the 2008 and 2009 payments from the General Fund Capital Outlay line item. The land served as collateral. The last payment was made in 2009.

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

	General Obligation Bonds
Year ending December 31:	
2010	\$239,470
2011	234,900
Total	\$474,370

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management

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

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

The Township 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, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 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.

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, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$40,737,740	\$43,210,703
Liabilities	<u>(12,981,818)</u>	<u>(13,357,837)</u>
Net Assets	<u>\$27,755,922</u>	<u>\$29,852,866</u>

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. Risk Management (Continued)

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$41,000.

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.

Contributions to OTARMA	
2007	\$51,379
2008	\$51,218
2009	\$47,803

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary 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.

9. Related Party Transactions

Ohio Insurance Services Agency, Inc., 8120 Corporate Boulevard, Plain City, Ohio, 43064 is the health insurance broker for the Township. A Township Trustee is the President of an insurance agency based in Springboro, Ohio. From January 1, 2008, though on or about August 28, 2008, during this audit period, Ohio Insurance Services Agency, Inc., contracted with the Vice-President of the insurance agency in Springboro to provide local health insurance claims service to Township Employees. A total of \$10,090.00 was paid to that Vice-President by Ohio Insurance Services Agency, Inc., during the audit period.

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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*

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

To the Township Board of Trustees:

We have audited the financial statements of Clearcreek Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 22, 2010, 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 uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Governmental Auditing Standards* consider this service to impair the Auditor of State's independence to audit the Township. However, *Governmental 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 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.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-001 and 2009-003 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, 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 2009-002 and 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated February 22, 2010.

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

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

Mary Taylor, CPA
Auditor of State

February 22, 2010

**CLEARCREEK TOWNSHIP
WARREN COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness

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:

- Postings to incorrect line items; and,
- Postings to incorrect funds and line items.

Year	Fund	Amount	Incorrect Line Item	Correct Line Item
2009	General	\$181,378	Intergovernmental Revenue	Miscellaneous Revenue
2009	General	129,096	Property Taxes	Intergovernmental Revenue
2009	Special Revenue	392,362	Property Taxes	Intergovernmental Revenue
2008	General	116,077	Property Taxes	Intergovernmental Revenue
2008	Special Revenue	687,450	Property Taxes	Intergovernmental Revenue

Year	Amount	Incorrect Fund	Correct Fund	Incorrect Line Item	Correct Line item
2009	\$368,668	General	Special Revenue	Property Taxes	Intergovernmental
2008	147,751	General	Special Revenue	Property Taxes	Intergovernmental, Property Taxes

The Township posted these adjustments to their financial statements and accounting records.

We recommend that the Fiscal Officer take due care in posting receipts to the proper funds and line items, and that the Township Administrator and/or Trustees take due care in reviewing financial statements and reports.

FINDING NUMBER 2009-002

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.

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 8% of the transactions tested in 2009 and 23% for 2008. 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.

**FINDING NUMBER 2009-002
(Continued)**

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 2009-003

Noncompliance Finding/Material Weakness

Ohio Administrative Code, § 117-2-02(C)(1), states in part: all local public offices should 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. In 2008, the appropriations posted to the Township's ledgers exceeded those passed by the Board in the Police Fund (2081) by \$742,104. In 2008, estimated receipts posted to the Township's ledgers exceeded those passed by the Board in the Computer A Fund (4902) by \$20,000 and were less than those passed by the Board in the Capital Projects / Computers Fund (4901) by \$68,244.

Failure to monitor budgetary activity can result in overspending and negative fund balances. We recommend the Trustees monitor the Township's budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by the Board of Trustees. By regularly monitoring its budgetary position throughout the year, the Township will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Township.

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 did not receive a response from officials to the findings reported above.

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**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code 29221.42(A)(1) and 102.03(D) public official having an interest in public contract.	N/A	Finding No Longer Valid – The Ohio Ethics Commission reviewed this issue and reported no violations of Ohio law.
2007-002	Ohio Revised Code 5705.41(D)(1) proper certification of funds not completed prior to obligation.	No	Not Corrected – Reissued as Finding 2009-002
2007-003	Ohio Revised Code 5705.09(F) establishment of special fund for revenues from legally specified purpose.	Yes	



Mary Taylor, CPA
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
MAY 6, 2010**