

**CLEARCREEK TOWNSHIP**  
**AUDIT REPORT**  
**JANUARY 1, 2009 - DECEMBER 31, 2010**

**Wolfe, Wilson, & Phillips, Inc.**  
**37 South Seventh Street**  
**Zanesville, Ohio 43701**





# Dave Yost • Auditor of State

Board of Trustees  
Clearcreek Township  
10474 Dozer Road  
Stoutsville, Ohio 43154

We have reviewed the *Independent Auditors' Report* of Clearcreek Township, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Clearcreek Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

May 3, 2011

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**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY  
JANUARY 1, 2009 - DECEMBER 31, 2010**

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**WOLFE, WILSON, & PHILLIPS, INC.**  
**37 SOUTH SEVENTH STREET**  
**ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' REPORT**

Clearcreek Township  
Fairfield County  
10474 Dozer Road  
Stoutsville, Ohio 43154

We have audited the accompanying financial statements of the Clearcreek Township, Fairfield County, as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Clearcreek 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Clearcreek 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Instead of the combined funds the accompanying financial statements present for 2010 and 2009, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2010 and 2009. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Clearcreek Township's combined funds as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable 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 of the Clearcreek Township, Fairfield County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements and reserve for encumbrances for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also require the Township to include Management's Discussion and Analysis for the year ended December 31, 2010 and 2009. 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 a report dated March 29, 2011, on our consideration of the Clearcreek Township's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
March 29, 2011

**CLEARCREEK TOWNSHIP  
FAIRFIELD 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**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$ 57,298	\$ 316,408	\$ -	\$ -	\$ -	\$ 373,706
Charges for Services	-	56,900	-	-	-	56,900
License, Permits and Fees	33,969	14,474	-	-	-	48,443
Intergovernmental	47,568	204,517	-	-	-	252,085
Earnings on Investments	1,643	253	-	-	263	2,159
Miscellaneous	208	33,397	-	25,000	-	58,605
<b>Total Cash Receipts</b>	<u>140,686</u>	<u>625,949</u>	<u>-</u>	<u>25,000</u>	<u>263</u>	<u>791,898</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	117,868	343	-	-	-	118,211
Public Safety	-	128,596	-	-	-	128,596
Public Works	-	387,242	-	-	-	387,242
Health	11,879	28,701	-	-	-	40,580
Human Services	-	-	-	-	-	-
Other	1,580	-	-	-	-	1,580
Capital Outlay	4,100	118,998	-	43,775	-	166,873
Debt Service:						
Principal Payments	2,928	61,634	2,050	-	-	66,612
Interest Payments	59	9,491	-	-	-	9,550
<b>Total Cash Disbursements</b>	<u>138,414</u>	<u>735,005</u>	<u>2,050</u>	<u>43,775</u>	<u>-</u>	<u>919,244</u>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	2,272	(109,056)	(2,050)	(18,775)	263	(127,346)
<b>Other Financing Receipts and (Disbursements):</b>						
Other Financing Uses	-	-	-	-	-	-
Other Debt Proceeds	-	59,547	-	20,500	-	80,047
Transfer In	-	15,000	2,050	25,000	-	42,050
Transfer Out	(40,000)	(2,050)	-	-	-	(42,050)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(40,000)</u>	<u>72,497</u>	<u>2,050</u>	<u>45,500</u>	<u>-</u>	<u>80,047</u>
<b>Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	(37,728)	(36,559)	-	26,725	263	(47,299)
<b>Fund Cash Balances, January 1,</b>	<u>234,827</u>	<u>611,838</u>	<u>-</u>	<u>125,000</u>	<u>60,382</u>	<u>1,032,047</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 197,099</u>	<u>\$ 575,279</u>	<u>\$ -</u>	<u>\$ 151,725</u>	<u>\$ 60,645</u>	<u>\$ 984,748</u>
<b>Reserves for Encumbrances, December 31</b>	<u>\$ 817</u>	<u>\$ 1,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,459</u>

See notes to financial statements.



**CLEARCREEK TOWNSHIP  
FAIRFIELD 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**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 56,077	\$ 309,169	\$ -	\$ -	\$ 365,246
Charges for Services	-	49,725	-	-	49,725
License, Permits and Fees	28,532	8,225	-	-	36,757
Intergovernmental	43,370	193,108	-	-	236,478
Earnings on Investments	1,966	277	-	340	2,583
Miscellaneous	889	20,281	50,000	-	71,170
<b>Total Cash Receipts</b>	<b>130,834</b>	<b>580,785</b>	<b>50,000</b>	<b>340</b>	<b>761,959</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	116,401	-	-	-	116,401
Public Safety	-	58,906	-	-	58,906
Public Works	-	337,678	-	-	337,678
Health	11,586	25,358	-	-	36,944
Human Services	-	4,934	-	-	4,934
Other	1,218	-	-	-	1,218
Capital Outlay	26,500	124,790	-	-	151,290
Debt Service:					
Principal Payments	5,655	39,672	-	-	45,327
Interest Payments	326	7,596	-	-	7,922
<b>Total Cash Disbursements</b>	<b>161,686</b>	<b>598,934</b>	<b>-</b>	<b>-</b>	<b>760,620</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(30,852)</b>	<b>(18,149)</b>	<b>50,000</b>	<b>340</b>	<b>1,339</b>
<b>Other Financing Receipts and (Disbursements):</b>					
Other Financing Uses	(106)	-	-	-	(106)
Other Debt Proceeds	-	58,670	-	-	58,670
Transfer In	-	10,000	25,000	-	35,000
Transfer Out	(35,000)	-	-	-	(35,000)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(35,106)</b>	<b>68,670</b>	<b>25,000</b>	<b>-</b>	<b>58,564</b>
<b>Excess/(Deficiency) of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(65,958)</b>	<b>50,521</b>	<b>75,000</b>	<b>340</b>	<b>59,903</b>
<b>Fund Cash Balances, January 1,</b>	<b>300,785</b>	<b>561,317</b>	<b>50,000</b>	<b>60,042</b>	<b>972,144</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 234,827</b>	<b>\$ 611,838</b>	<b>\$ 125,000</b>	<b>\$ 60,382</b>	<b>\$ 1,032,047</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$ 832</b>	<b>\$ 1,336</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,168</b>

See notes to financial statements.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

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

Money market mutual funds (including STAROhio) 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:

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**D. Fund Accounting (Continued)**

**General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds**

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

**Gasoline Tax Fund** – This fund receives gasoline tax receipts for constructing, maintaining and repairing Township roads and bridges.

**Road and Bridge Fund** – This fund receives property tax for the construction, repair and maintenance of Township roads.

**Fire District Fund** – This fund receives property taxes to provide fire protection to Township residents.

**EMS Fund** – This fund receives property taxes to provide emergency medical services to Township residents.

**E. Budgetary Process**

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

**Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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. Unencumbered appropriations lapse at year end.

**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.

**Encumbrances**

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

A summary of 2010 and 2009 budgetary activity appears in Note 4.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

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

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH**

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

	2010	2009
Demand Deposits	\$ 930,526	\$ 977,970
Certificates of Deposits	4,759	4,668
Total Deposits	<u>935,285</u>	<u>982,638</u>
STAROhio	49,463	49,409
Total Investments	<u>49,463</u>	<u>49,409</u>
Total Deposits and Investments	<u>\$ 984,748</u>	<u>\$ 1,032,047</u>

**Deposits:**

Deposits are either 1) insured by the Federal Depository Insurance Corporation or 2) collateralized by the financial institution's public entity deposit pool.

**Investments:** Investments in STAROhio are not evidenced by securities that exist in physical or book-entry form.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCE**

Last audit period the Township reported fund financial statements by fund type using the cash basis of accounting presenting each major fund in a separate column with non-major funds aggregated and presented in a single column. This audit period the Township has implemented the cash basis of accounting. The fund financial statements now present each fund type in a separate column under the regulatory basis of accounting as prescribed by the State Auditor's Office. There was no restatement of fund equity due to this change.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 133,947	\$ 140,686	\$ 6,739
Special Revenue	641,000	700,496	59,496
Debt Service	1,025	2,050	1,025
Capital Projects	95,500	70,500	(25,000)
Permanent	2,000	263	(1,737)
Total	<u>\$ 873,472</u>	<u>\$ 913,995</u>	<u>\$ 40,523</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 267,680	\$ 179,231	\$ 88,449
Special Revenue	885,642	738,697	146,945
Debt Service	2,050	2,050	-
Capital Projects	145,500	43,775	101,725
Permanent	-	-	-
Total	<u>\$ 1,300,872</u>	<u>\$ 963,753</u>	<u>\$ 337,119</u>

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 135,720	\$ 130,834	\$ (4,886)
Special Revenue	692,800	649,455	(43,345)
Capital Projects	75,000	75,000	-
Permanent	3,000	340	(2,660)
Total	<u>\$ 906,520</u>	<u>\$ 855,629</u>	<u>\$ (109,561)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 299,594	\$ 197,624	\$ 101,970
Special Revenue	764,584	600,027	164,557
Capital Projects	75,000	-	75,000
Permanent	-	-	-
Total	<u>\$ 1,139,178</u>	<u>\$ 797,651</u>	<u>\$ 341,527</u>

Contrary to 5705.39, the Township's Debt Service Fund had appropriations greater than estimated resources in 2010.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

**6. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest rate</u>
Truck Lease 2007	\$ 29,353	4.48%
Fire Truck Lease 2008	74,790	4.25%
Mower Lease 2010	47,899	4.45%
Ambulance Lease 2010	50,102	4.15%
Firehouse Remodel Note	18,450	0.00%
Total	<u>\$ 220,594</u>	

On May 7, 2007, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new truck for the road maintenance. Per the term of the lease, ownership of the truck will transfer to the Township after five years. However, the Township has the option to cancel the lease.

On March 13, 2008, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new fire truck for the use in fire protection. Per the term of the lease, ownership of the fire truck will transfer to the Township after five years. However, the Township has the option to cancel the lease.

On May 19, 2010, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new ambulance for the use in emergency medical services. Per the term of the lease, ownership of the ambulance will transfer to the Township after five years. However, the Township has the option to cancel the lease.

On November 24, 2009, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new mower for the use in road maintenance. Per the term of the lease, ownership of the mower will transfer to the Township after five years. However, the Township has the option to cancel the lease.

On August 10, 2010, the Township entered into a non interest bearing note with the Ohio Department of Commerce, Division of State Fire Marshall in the amount of \$20,500 for the remodeling of the firehouse. Payments will be made quarterly in the amount of \$1,025.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**6. DEBT (Continued)**

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

Year ending December 31:	Truck	Fire Truck	Mower
2011	\$ 20,452	\$ 26,818	\$ 13,205
2012	10,226	26,818	13,205
2013	-	26,816	13,205
2014	-	-	13,205
2015	-	-	-
2016-2020	-	-	-
<b>Total</b>	<b>\$ 30,678</b>	<b>\$ 80,452</b>	<b>\$ 52,820</b>

Year ending December 31:	Ambulance	Note
2011	\$ 21,306	\$ 2,050
2012	21,306	2,050
2013	21,306	2,050
2014	-	2,050
2015	-	2,050
2016-2020	-	8,200
<b>Total</b>	<b>\$ 63,918</b>	<b>\$ 18,450</b>

**7. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, PERS members contributed 10.0% of their wages, respectively. The Township contributed an amount equal to 14.00% of participant's gross salaries for 2010 and 2009, respectively. The Township has paid all contributions required through December 31, 2010.

**8. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. American Risk Pool 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.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**8. RISK MANAGEMENT (Continued)**

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, 2009, 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 and 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, 2009 and 2008:

	2009	2008
Assets	\$ 38,982,088	\$ 40,737,740
Liabilities	(12,880,766)	(12,981,818)
Retained Earnings	\$ 26,101,322	\$ 27,755,922

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, 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 \$37,082.

Based on discussion 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	
2008	\$20,121
2009	16,982
2010	18,541

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.

Settlement amounts did not exceed insurance coverage for the past three years.

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



**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO FINANCIAL STATEMENTS**

**9. TRANSFERS**

Following is a summary of transfers in and out for all funds for 2010:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 40,000
Fire District Fund	-	1,025
Ems Fund		1,025
Fire Debt Service	1,025	
EMS Debt Service	1,025	
Cemetery Fund	15,000	
Capital Projects Fund	25,000	-
Totals	<u>\$ 42,050</u>	<u>\$ 42,050</u>

Transfers were made out of the Fire District Fund and EMS Fund to the Debt Service Funds to pay the debt service on the new Ambulance.

Following is a summary of transfers in and out for all funds for 2009:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 35,000
Cemetery Fund	10,000	
Capital Projects Fund	25,000	-
Totals	<u>\$ 35,000</u>	<u>\$ 35,000</u>

**WOLFE, WILSON, & PHILLIPS, INC.  
37 SOUTH SEVENTH STREET  
ZANESVILLE, OHIO 43701**

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

Clearcreek Township  
Fairfield County  
10474 Dozer Road  
Stoutsville, Ohio 43154

We have audited the financial statements of Clearcreek Township as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated March 29, 2011, 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 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 *Government Auditing Standards*, issued by the comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Clearcreek 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider Findings 2010-01 and 2010-02 described in the accompanying schedule of findings to be a material weakness.

We noted other matters involving internal control over financial reporting, which we have reported to management of the Clearcreek Township in a separate letter dated March 29, 2011.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Clearcreek Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Clearcreek Township in a separate letter dated March 29, 2011.

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

This report is intended for the information of the Township's management, fiscal officer, and Auditor of State, and is not intended to be and should not be used by anyone other than these specified parties.

***Wolfe, Wilson, & Phillips, Inc.***  
Zanesville, Ohio  
March 29, 2011

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010**

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

**FINDING NUMBER 2010-01**

**Material Weakness – Posting Amended Budgets**

The Township should have procedures in place to prevent or detect material misstatements of financial information.

Estimated receipt amounts recorded in the Township’s accounting records did not agree with estimated receipts approved by the Board of Trustees and County Budget Commission as follows:

<u>Year</u>	<u>Fund</u>	<u>Approved Amount</u>	<u>Amount In Accounting System</u>	<u>Variance</u>
2010	General Fund	\$ 133,947	\$ 129,197	\$ 4,820
	Gasoline Tax Fund	100,500	100,700	(200)
	Road & Bridge Fund	240,000	237,800	2,200
	Cemetery Fund	28,000	37,000	(9,000)
	Fire Fund	84,300	84,700	(400)
	Road District Fund	18,800	18,900	(100)
	EMS Fund	114,000	84,100	29,900
	Fire Debt Service	513	1,025	(512)
	EMS Debt Service	513	1,025	(512)
	Permanent Fund	2,000	500	1,500
2009	General	135,720	153,351	(17,631)
	MVL Tax Fund	15,200	15,400	(200)
	Gasoline Tax Fund	111,000	100,700	10,300
	Road & Bridge Fund	232,800	230,100	2,700
	Cemetery	40,000	30,000	10,000
	Fire Fund	81,400	81,300	100
	Road District Fund	18,000	17,800	200
	EMS Fund	154,400	80,300	74,100
Capital Projects 4903	25,000	-	25,000	

Failure to update budgets approved by the Trustees in the accounting system could result in inaccurate financial information from which Township operating decisions are made.

We recommend the Fiscal Officer accurately and timely post all estimated receipts approved by the Trustees and County Budget Commission in the accounting system.

The financial statements have been adjusted to reflect the approved estimated receipts.

Client Response: We agree with finding and will try to improve in the future.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010**

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

**FINDING NUMBER 2010-02**

**Material Weakness – Posting Of Debt Proceeds and Payments**

The Township has several capital leases for equipment. The Township should budget for and post proceeds of debt receipts and capital outlay expenditures when payment is made on the Township's behalf and the equipment is received. The Township should post lease payments as principal and interest payments based on the amortization schedule provided by the lender.

During 2010 and 2009, the Township entered into lease-purchase agreements and received equipment in the amount of \$118,217. This activity was not included in the Township's estimated resources or appropriations and was not posted as proceeds of debt with related capital outlay.

In addition, during 2009, the Township posted capital lease debt payments to capital outlay rather than debt principal and interest. The amounts incorrectly posted in 2009 were a total of \$7,922 in interest and \$45,327 in principal. In 2010 debt payments were recorded correctly.

The lack of posting debt proceeds and properly posting principal and interest allocations could lead to misstatements.

We recommend the Township ensure that proceeds and related capital outlay are recorded for capital leases. We also recommend the Fiscal Officer review the debt amortization schedule provided by the lender when making a debt payment to ensure accurate interest and principal postings.

The financial statements have been adjusted to properly reflect the proceeds of capital leases and related capital outlay in 2010 and 2009 and to properly reflect principal and interest payments in 2009.

Client Response: We agree with finding and will try to improve in the future.

**CLEARCREEK TOWNSHIP  
FAIRFIELD 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>Explain:</b>
2008-01	Budgetary amounts	No	In current audit as Finding 2010-01
2008-02	Posting debt proceeds and payments	No	In current audit as Finding 2010-02



# Dave Yost • Auditor of State

**CLEARCREEK TOWNSHIP**

**FAIRFIELD 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 17, 2011**