



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, (the Township) as of and for the years ended December 31, 2016 and 2015.

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 opinions.

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

As described in Note 2 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.

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, 2016 and 2015, 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, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, 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

May 31, 2017

Clearcreek Township*Warren County, Ohio**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,001,520	\$7,439,577	\$8,441,097
Charges for Services	0	555,512	555,512
Licenses, Permits and Fees	218,450	63,189	281,639
Fines and Forfeitures	15,754	1,085	16,839
Intergovernmental	401,955	1,121,440	1,523,395
Special Assessments	0	182,477	182,477
Earnings on Investments	67,262	1,584	68,846
Miscellaneous	64,339	236,246	300,585
<i>Total Cash Receipts</i>	<u>1,769,280</u>	<u>9,601,110</u>	<u>11,370,390</u>
Cash Disbursements			
Current:	657,765	942	658,707
General Government	669	8,578,323	8,578,992
Public Safety	54,415	1,184,830	1,239,245
Public Works	12,000	0	12,000
Conservation-Recreation	469,219	0	469,219
Capital Outlay	0	335,330	335,330
Debt Service:			
Principal Retirement	71,374	0	71,374
<i>Total Cash Disbursements</i>	<u>1,265,442</u>	<u>10,099,425</u>	<u>11,364,867</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>503,838</u>	<u>(498,315)</u>	<u>5,523</u>
<i>Net Change in Fund Cash Balances</i>	503,838	(498,315)	5,523
<i>Fund Cash Balances, January 1</i>	<u>1,411,835</u>	<u>11,145,432</u>	<u>12,557,267</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	10,647,117	10,647,117
Committed	0	0	0
Assigned	30,804	0	30,804
Unassigned (Deficit)	1,884,869	0	1,884,869
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,915,673</u></u>	<u><u>\$10,647,117</u></u>	<u><u>\$12,562,790</u></u>

See accompanying notes to the basic financial statements

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Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting 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 Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 6 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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.

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.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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 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.

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.

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.

A summary of 2016 budgetary activity appears in Note 3.

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.

Capital Assets

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

Accumulated Leave

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

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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:

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

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.

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,527,000	\$1,769,280	\$242,280
Special Revenue	9,112,900	9,601,110	488,210
Total	\$10,639,900	\$11,370,390	\$730,490

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,639,844	\$1,296,246	\$343,598
Special Revenue	12,073,720	10,401,838	1,671,882
Total	\$13,713,564	\$11,698,084	\$2,015,480

Note 4 - 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:

	2016
Demand deposits	\$1,849,336
Total deposits	1,849,336
People's Bank Investments	10,507,305
STAR Ohio	206,149
Total investments	10,713,454
Total deposits and investments	\$12,562,790

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.

Note 5 - 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
For the Year Ended December 31, 2016

Note 6 - 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. York Risk Pooling Services, Inc. (York) (formerly known as American Risk Pooling Consultants, Inc.), 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, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Position	\$28,894,793	\$27,057,831

The Casualty & Property Coverage assets and retained earnings above include approximately \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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.

The Pool's membership increased from 957 members in 2014 to 989 members in 2015.

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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. 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, 2015, 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, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$42,000.

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>2016</u>	<u>2015</u>
\$79,496	\$84,745

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township has employees that belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2016

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. OPERS Law Enforcement members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of their gross salaries. The Township has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Township has certified Fire Fighters that belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.50% of their wages for the first half of the year and 12.25% for the second half of the year. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Promissory Note	\$142,748	0%
Total	\$142,748	

The Township owes two years of annual payments of \$71,374 each for 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:	
2017	\$71,374
2018	71,374
Total	\$142,748

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Clearcreek Township
Warren County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$916,448	\$7,200,302	\$8,116,750
Charges for Services	0	579,019	579,019
Licenses, Permits and Fees	217,452	52,477	269,929
Fines and Forfeitures	18,119	255	18,374
Intergovernmental	402,895	1,205,322	1,608,217
Special Assessments	0	182,863	182,863
Earnings on Investments	87,623	1,925	89,548
Miscellaneous	38,670	216,279	254,949
<i>Total Cash Receipts</i>	<u>1,681,207</u>	<u>9,438,442</u>	<u>11,119,649</u>
Cash Disbursements			
Current:			
General Government	763,957	932	764,889
Public Safety	798	8,465,985	8,466,783
Public Works	4,903	1,086,677	1,091,580
Health	9,505	0	9,505
Conservation-Recreation	429,657	0	429,657
Capital Outlay	0	163,771	163,771
Debt Service:			
Principal Retirement	71,374	0	71,374
<i>Total Cash Disbursements</i>	<u>1,280,194</u>	<u>9,717,365</u>	<u>10,997,559</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>401,013</u>	<u>(278,923)</u>	<u>122,090</u>
Other Financing Receipts (Disbursements)			
Transfers In	0	57,819	57,819
Transfers Out	(57,818)	0	(57,818)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(57,818)</u>	<u>57,819</u>	<u>1</u>
<i>Net Change in Fund Cash Balances</i>	343,195	(221,104)	122,091
<i>Fund Cash Balances, January 1</i>	<u>1,068,640</u>	<u>11,366,536</u>	<u>12,435,176</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	11,145,432	11,145,432
Committed	0	0	0
Assigned	25,179	0	25,179
Unassigned (Deficit)	1,386,656	0	1,386,656
<i>Fund Cash Balances, December 31</i>	<u>\$1,411,835</u>	<u>\$11,145,432</u>	<u>\$12,557,267</u>

See accompanying notes to the basic financial statements

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Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 – Reporting 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.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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.

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 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.

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.

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.

A summary of 2015 budgetary activity appears in Note 3.

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.

Capital Assets

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

Accumulated Leave

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

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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:

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

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.

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.

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.

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,527,000	\$1,681,207	\$154,207
Special Revenue	9,241,164	9,496,261	255,097
Total	<u>\$10,768,164</u>	<u>\$11,177,468</u>	<u>\$409,304</u>

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,832,959	\$1,363,192	\$469,767
Special Revenue	12,995,072	10,246,517	2,748,555
Total	\$14,828,031	\$11,609,709	\$3,218,322

Note 4 - 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:

	2015
Demand deposits	\$1,892,953
Total deposits	1,892,953
People's Bank Investments	10,459,261
STAR Ohio	205,052
Total investments	10,664,313
Total deposits and investments	\$12,557,266

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.

Note 5 - 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
For the Year Ended December 31, 2015

Note 6 - 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. York Risk Pooling Services, Inc. (York) (formerly known as American Risk Pooling Consultants, Inc.), 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, 2015, 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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Position	\$28,894,793	\$27,057,831

The Casualty & Property Coverage assets and retained earnings above include approximately \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. 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.

The Pool's membership increased from 957 members in 2014 to 989 members in 2015.

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These

Clearcreek Township
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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. 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, 2015, 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, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 million and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$45,000.

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>2016</u>	<u>2015</u>
\$79,496	\$84,745

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.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township has employees that belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

Clearcreek Township
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Notes to the Financial Statements
For the Year Ended December 31, 2015

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. OPERS Law Enforcement members contributed 13% of their gross salaries and the Township contributed an amount equaling 18.10% of their gross salaries. The Township has paid all contributions required through December 31, 2015.

Ohio Police and Fire Retirement System

The Township has certified Fire Fighters that belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.50% of their wages for the first half of the year and 12.25% for the second half of the year. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2015.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2% of the employer contribution to fund these benefits, and OP&F contributes 0.5% to fund these benefits.

Note 9 - Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Promissory Note	\$214,122	0%
Total	\$214,122	

The Township owes three years of annual payments of \$71,374 each for 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:	
2016	\$71,374
2017	71,374
2018	71,374
Total	\$214,122

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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
7593 Bunnell Hill Road
Springboro, Ohio 45036

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 the cash balances, receipts, and disbursements by fund type of Clearcreek Township, Warren County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 31, 2017 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 opinions 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

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.



Dave Yost
Auditor of State

Columbus, Ohio

May 31, 2017

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016**

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

FINDING NUMBER 2016-001

Material Weakness/Noncompliance

Ohio Administrative Code § 117-2-02(C)(1) states that 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.

Estimated receipts were not accurately posted to the financial accounting system at December 31, as follows:

2016			
Fund	Estimated Receipts		Variance
	Per Official Certificate	Per UAN System	
General	\$1,482,000	\$1,224,707	\$257,293
Police District	2,357,500	2,123,495	234,005
Fire District	5,232,000	5,602,500	(370,500)
Zoning	45,000	55,000	(10,000)
Ambulance	452,500	497,497	(44,997)

2015			
Fund	Estimated Receipts		Variance
	Per Official Certificate	Per UAN System	
Police District	\$2,357,500	\$2,378,675	\$(21,175)
Fire District	5,232,000	5,267,455	(35,455)

Failure to properly post estimated receipts can result in an inability to monitor unrealized budgetary receipts timely and accurately.

We recommend the Township properly post estimated receipts to the financial accounting system.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2016-002

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, 2015 and 2016 as noted in the following:

**FINDING NUMBER 2016-002
(Continued)**

- In 2016, the Township Administrator was paid out of funds other than the General Fund without proper documentation, as follows: Police District Fund \$28,269.22 and Fire District Fund \$32,307.68, for a total of \$60,576.90.
- In 2016, monies received relating to the second half homestead and rollback settlement in the amount of \$492,946 from Warren County was misclassified as tax revenue instead of intergovernmental revenue, as follows: General Fund \$62,038; Road and Bridge Fund \$37,922; Police District Fund \$110,643; and, Fire District Fund \$282,343.
- In 2016, the Township improperly recorded a traffic safety grant in the amount of \$36,983 in the Police District Fund as licenses, permits, and fees revenue rather than intergovernmental revenue.
- In 2015, monies received relating to the second half homestead and rollback settlement in the amount of \$478,643 from Warren County was misclassified as tax revenue instead of intergovernmental revenue, as follows: General Fund \$58,772; Road and Bridge Fund \$33,421; Police District Fund \$109,765; and, Fire District Fund \$276,685.
- In 2015, the May receipt of state/county levied permissive auto tax in the amount of \$2,576 was misclassified as tax revenue instead of intergovernmental revenue in the Permissive Motor Vehicle License Tax Fund.
- In 2015, the Township misclassified reimbursements for health savings accounts as intergovernmental revenue instead of miscellaneous revenue, as follows: General Fund \$2,743; Road and Bridge Fund \$1,631; Police District Fund \$5,789; Fire District Fund \$16,782; and, Ambulance Fund \$1,316.
- In 2015, the Township improperly recorded a traffic safety grant in the amount of \$37,112 in the Police District Fund as licenses, permits, and fees revenue rather than intergovernmental revenue.

The Township has posted these adjustments to the financial statements.

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.

* We also reported this matter in our audit of the 2014 and 2013 financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2014-001	The Township did not accurately apply GASB Statement 54.	Partially Corrected	Re-issued as management letter recommendation
2014-002	The Township did not properly report financial activity.	Not Corrected	Repeated as Finding 2016-002

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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
JUNE 22, 2017