



**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006-2005**



**Mary Taylor, CPA**  
Auditor of State



**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

Clearcreek Township  
Fairfield County  
10474 Dozer Road  
Stoutsville, Ohio 43154

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 Township 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.

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

**Mary Taylor, CPA**  
Auditor of State

September 11, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Clearcreek Township  
Fairfield County  
10474 Dozer Road  
Stoutsville, Ohio 43154

To the Board of Trustees:

We have audited the accompanying financial statements of Clearcreek Township, Fairfield County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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 Township, 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, 2006 and 2005 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, 2006, or its changes in financial position.

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 Fairfield County, as of December 31, 2006 and 2005, 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 September 11, 2007, 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

September 11, 2007

**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, 2006**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 49,482	\$ 291,398	\$ -	\$ -	\$ 340,880
Charges for Services	-	38,500	-	-	38,500
Licenses, Permits, and Fees	25,401	10,843	-	-	36,244
Intergovernmental	53,324	174,446	91,184	-	318,954
Earnings on Investments	4,725	811	-	2,882	8,418
Miscellaneous	924	13,918	-	-	14,842
<b>Total Cash Receipts</b>	<u>133,856</u>	<u>529,916</u>	<u>91,184</u>	<u>2,882</u>	<u>757,838</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	68,785	-	-	-	68,785
Public Safety	-	62,946	-	-	62,946
Public Works	-	314,080	-	-	314,080
Health	10,040	26,574	-	-	36,614
Other	1,289	-	-	-	1,289
Capital Outlay	15,773	21,211	91,184	-	128,168
Debt Service:					
Redemption of Principal	2,859	24,948	-	-	27,807
Interest and Other Fiscal Charges	610	2,200	-	-	2,810
<b>Total Cash Disbursements</b>	<u>99,356</u>	<u>451,959</u>	<u>91,184</u>	<u>-</u>	<u>642,499</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>34,500</u>	<u>77,957</u>	<u>-</u>	<u>2,882</u>	<u>115,339</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Transfers-In	-	-	50,000	-	50,000
Transfers-Out	-	(50,000)	-	-	(50,000)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>-</u>	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>34,500</u>	<u>27,957</u>	<u>50,000</u>	<u>2,882</u>	<u>115,339</u>
<b>Fund Cash Balances, January 1</b>	<u>327,607</u>	<u>320,428</u>	<u>100,000</u>	<u>53,211</u>	<u>801,246</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 362,107</b></u>	<u><b>\$ 348,385</b></u>	<u><b>\$ 150,000</b></u>	<u><b>\$ 56,093</b></u>	<u><b>\$ 916,585</b></u>
Reserve for Encumbrances, December 31	<u>\$ 456</u>	<u>\$ 2,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,790</u>

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

**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, 2005**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>					
Property and Other Local Taxes	\$ 48,209	\$ 253,785	\$ -	\$ -	\$ 301,994
Charges for Services	-	36,350	-	-	36,350
Licenses, Permits, and Fees	29,896	10,075	-	-	39,971
Intergovernmental	45,447	156,301	-	-	201,748
Earnings on Investments	4,878	720	-	1,872	7,470
Miscellaneous	283	11,816	-	-	12,099
<b>Total Cash Receipts</b>	<u>128,713</u>	<u>469,047</u>	<u>-</u>	<u>1,872</u>	<u>599,632</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	109,268	335	-	-	109,603
Public Safety	-	66,320	-	-	66,320
Public Works	-	438,162	-	-	438,162
Health	10,266	21,196	-	-	31,462
Other	1,189	-	-	-	1,189
Capital Outlay	10,676	91,714	-	-	102,390
Debt Service:					
Redemption of Principal	2,329	22,390	-	-	24,719
Interest and Other Fiscal Charges	661	2,246	-	-	2,907
<b>Total Cash Disbursements</b>	<u>134,389</u>	<u>642,363</u>	<u>-</u>	<u>-</u>	<u>776,752</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,676)</u>	<u>(173,316)</u>	<u>-</u>	<u>1,872</u>	<u>(177,120)</u>
<b>Other Financing Receipts / (Disbursements):</b>					
Other Debt Proceeds	-	77,208	-	-	77,208
Sale of Fixed Assets	-	4,800	-	-	4,800
Transfers-In	-	-	100,000	-	100,000
Transfers-Out	-	(100,000)	-	-	(100,000)
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>-</u>	<u>(17,992)</u>	<u>100,000</u>	<u>-</u>	<u>82,008</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(5,676)</u>	<u>(191,308)</u>	<u>100,000</u>	<u>1,872</u>	<u>(95,112)</u>
<b>Fund Cash Balances, January 1</b>	<u>333,283</u>	<u>511,736</u>	<u>-</u>	<u>51,339</u>	<u>896,358</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 327,607</u></u>	<u><u>\$ 320,428</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ 53,211</u></u>	<u><u>\$ 801,246</u></u>
<b>Reserve for Encumbrances, December 31</b>	<u><u>\$ 432</u></u>	<u><u>\$ 2,228</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,660</u></u>

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

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Clearcreek Township, Fairfield County, (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, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Washington Township to provide fire services and ambulance services.

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. 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.

The Township values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

Emergency Medical Services Fund – This fund receives charges for services for emergency medical services.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

**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). The Township had the following significant capital project fund:

Miscellaneous Capital Projects – This fund received transfers from other funds in order to reserve funds for a new fire vehicle/equipment.

**4. Permanent Funds**

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Bequest Fund – This fund receives interest earned on investments. These earnings can be used for the general maintenance and upkeep of the Township's cemetery.

**E. Budgetary Process**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**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 pool all funds use. The Township's certificates of deposit and STAR Ohio investment are for the Cemetery Bequest Fund and are not part of the pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2006	2005
Demand deposits	\$866,425	\$753,423
Certificates of deposit	4,477	4,311
Total deposits	870,902	757,734
STAR Ohio	45,683	43,512
Total deposits and investments	\$916,585	\$801,246

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

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and December 31, 2005 follows:

2006 Budgeted vs. Actual Receipts			
	Budgeted	Actual	
Fund Type	Receipts	Receipts	Variance
General	\$134,395	\$133,856	(\$539)
Special Revenue	498,500	529,916	31,416
Capital Projects	141,184	141,184	0
Permanent	1,000	2,882	1,882
Total	\$775,079	\$807,838	\$32,759

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$212,886	\$99,812	\$113,074
Special Revenue	652,003	504,293	147,710
Capital Projects	91,184	91,184	0
Permanent	0	0	0
Total	<u>\$956,073</u>	<u>\$695,289</u>	<u>\$260,784</u>

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$133,276	\$128,713	(\$4,563)
Special Revenue	417,600	551,055	133,455
Capital Projects	191,184	100,000	(91,184)
Permanent	1,000	1,872	872
Total	<u>\$743,060</u>	<u>\$781,640</u>	<u>\$38,580</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,047	\$134,821	(\$774)
Special Revenue	753,703	744,591	9,112
Capital Projects	0	0	0
Permanent	0	0	0
Total	<u>\$887,750</u>	<u>\$879,412</u>	<u>\$8,338</u>

**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.

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  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Lease Agreement - Truck	\$6,379	5%
Lease Agreement - Ambulance	\$17,444	4%
Lease Agreement - Excavator	19,133	5%
Total	<u>\$42,956</u>	

On June 30, 2004, the Township entered into a lease-purchase agreement with General Motors Acceptance Corporation to finance the purchase of a new ton truck for Township road maintenance. The lease-purchase agreement was approved by the Fairfield County Prosecuting Attorney. Per the term of the lease, ownership of the truck will transfer to the Township after four years. However, the Township has the option to cancel the lease.

On February 4, 2005, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new Ambulance for EMS. Per the term of the lease, ownership of the ambulance will transfer to the Township after three years. However, the Township has the option to cancel the lease.

On May 13, 2005, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new excavator for the road and cemetery maintenance. Per the term of the lease, ownership of the excavator will transfer to the Township after five years. However, the Township has the option to cancel the lease.

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

Year ending December 31:	<u>Lease Agreement - Truck</u>	<u>Lease Agreement - Ambulance</u>	<u>Lease Agreement - Excavator</u>
2007	6,685	17,950	5,981
2008	0	0	5,981
2009	0	0	5,981
2010	0	0	2,990
Total	<u>\$6,685</u>	<u>\$17,950</u>	<u>\$20,933</u>

**6. RETIREMENT SYSTEM**

Employees 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.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 9% during 2006 and 8.5% during 2005 of their gross salaries. The Township contributed 13.7% during 2006 and 13.55% during 2005 of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK POOL MEMBERSHIP**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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 that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

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

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, 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 \$41,600. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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>	
2004	\$20,718
2005	\$20,834
2006	\$20,802

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. RISK POOL MEMBERSHIP (Continued)**

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

The Township entered into a lease/purchase agreement on May 15, 2007 for the purchase of a truck. The Township will make semi-annual payments of \$10,226, including interest, through May of 2012.



# 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  
Fairfield County  
10474 Dozer Road  
Stoutsville, Ohio 43154

To the Board of Trustees:

We have audited the financial statements Clearcreek Township, Fairfield County, Ohio (the Township) as of and for the years ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated September 11, 2007, 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. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-001 through 2006-003 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated September 11, 2007

### **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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings at item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 11, 2007.

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

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



**Mary Taylor, CPA**  
Auditor of State

September 11, 2007

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005**

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

**FINDING NUMBER 2006-001**

**Material Noncompliance Citation/Significant Deficiency/Material Weakness - Earnings on Investment**

Ohio Rev. Code Sections 135.21 and 5705.10 require interest earned to be apportioned among those funds expressly required by the law. Ohio Rev. Code 5705.10 requires that interest earned on a cemetery bequest fund is credited to that fund.

During 2005 and 2006, the Fiscal Officer mistakenly posted Cemetery Bequest Fund interest in the amounts of \$259 and \$198, respectively, to the General Fund.

We recommend the Township establish procedures to ensure all Cemetery Bequest Fund interest is paid to that fund.

The Financial Statements and Township accounting records have been adjusted to reflect this activity in the proper fund.

**Officials' Response:** The Township agrees with the proposed audit adjustments, citations, and recommendations. We will take the necessary corrective actions.

**FINDING NUMBER 2006-002**

**Significant Deficiency/Material Weakness - Budgetary Amounts in the Accounting System**

The Fiscal Officer should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements, including budgetary information.

The following differences were noted between the amended certificates of estimated resources certified by the budget commission and the amounts entered into the accounting system:

Year	Fund	Amount per Amended Certificate	Amount per Accounting System	Variance
2006	General	\$134,995	\$128,895	\$5,500
2006	Fire District	72,400	69,900	2,500
2006	Emergency Medical Services	68,700	58,400	10,300
2005	General	133,276	127,000	6,276
2005	Cemetery	25,000	35,000	(10,000)
2005	Fire District	62,800	63,400	(600)
2005	Road District	16,000	16,125	(125)
2005	Emergency Medical Services	52,100	52,700	(600)
2005	CDBG	100,000	0	100,000
2005	Capital Projects	91,184	0	91,184

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

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

**FINDING NUMBER 2006-002 (Continued)**

In addition, the following differences were noted between the Board of Township Trustees approved appropriations and the accounting system:

Year	Fund	Amount of Board approved Appropriations	Amount per Accounting System	Variance
2006	General	\$212,886	\$223,336	(\$10,450)
2006	Motor Vehicle License Tax	7,103	17,026	(9,923)
2006	Road and Bridge	257,826	247,826	10,000
2006	Cemetery	33,324	31,200	2,124
2006	Fire District	108,550	122,550	(14,000)
2006	Emergency Medical Services	72,800	73,100	(300)
2005	General	133,696	168,725	(35,029)
2005	Gasoline Tax	112,800	132,800	(20,000)
2005	Road and Bridge	239,950	247,950	(8,000)
2005	Cemetery	27,880	30,880	(3,000)

Failure to properly update the accounting system to reflect amended appropriations and/or amended certificates of estimated resources could result in management making decisions regarding Township operations based on inaccurate data.

We recommend the Fiscal Officer properly update the accounting system each time the Board of Trustees approve amendments to the appropriations and/or the Township receives an amended certificate of estimated resources from the Budget Commission. The Board of Trustees should review UAN reports to ensure the proper amounts have been entered into the accounting system.

The financial statements have been adjusted to properly reflect the correct estimated receipts and appropriations.

**Officials' Response:** The Township agrees with the proposed audit adjustments, citations, and recommendations. We will take the necessary corrective actions.

**FINDING NUMBER 2006-003**

**Significant Deficiency/Material Weakness - Proper 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 bank.

During 2005, the Township entered into lease/purchase agreements and received equipment in the amount of \$77,208. 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 2005 and 2006 the Township posted capital lease debt payments to capital outlay rather than debt principal and interest. The amounts misposted in 2006 were a total of \$2,810 in interest and \$27,807 in principal and in 2005 were a total of \$2,907 in interest and \$24,719 in principal.

**CLEARCREEK TOWNSHIP  
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND DECEMBER 31, 2005  
(Continued)**

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

**FINDING NUMBER 2006-003 (Continued)**

**Significant Deficiency/Material Weakness - Proper Posting of Debt Proceeds and Payments (Continued)**

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 bank 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 2005 and to properly reflect principal and interest payments in both 2005 and 2006.

**Officials' Response:** The Township agrees with the proposed audit adjustments, citations, and recommendations. We will take the necessary corrective actions.

**FINDING NUMBER 2006-004**

**Significant Deficiency – Documentation for Allocation of Interest**

The Township should maintain supporting documentation for the calculations made in determining the allocation of interest earned on Township funds.

The Township receives interest from a primary checking account, STAR Ohio, and CDs. The interest from STAR Ohio and the CDs is posted in the Cemetery Bequest Fund. The interest from the primary checking account is allocated between the General Fund, Motor Vehicle License Tax, Gasoline Tax, and the Cemetery Bequest Fund.

The Fiscal Officer is allocating interest to the proper funds, but does not maintain supporting documentation for how the allocation of primary checking interest was calculated.

In addition to not maintaining the calculations, the Fiscal Officer is allocating interest earned on the primary account to the Cemetery Bequest Fund based on the fund balance rather than the amount of Bequest funds in the primary account.

The lack of maintaining documentation for calculations could lead to incorrect interest allocations which could lead to misstated financial activity and inaccurate fund balances.

We recommend the Fiscal Officer maintain documentation of the calculations made each month when allocating interest. We also recommend that interest allocations be made based on the funds deposited in the account earning interest.

**Officials' Response:** The Township agrees with the proposed audit adjustments, citations, and recommendations. We will take the necessary corrective actions.





**Mary Taylor, CPA**  
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  
OCTOBER 18, 2007**