



Mary Taylor, CPA
Auditor of State

CLEARCREEK TOWNSHIP
WARREN COUNTY

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Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

August 22, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Clearcreek Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Clearcreek Township, Warren County, as of December 31, 2007 and 2006, 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 August 22, 2008, 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

August 22, 2008

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$909,082	\$5,944,258	\$0	\$6,853,340
Charges for Services		386,848		386,848
Licenses, Permits, and Fees	72,767	47,257		120,024
Fines and Forfeitures	28,820			28,820
Intergovernmental	672,314	951,875	110,000	1,734,189
Special Assessments		98,707		98,707
Earnings on Investments	477,451	62,454		539,905
Miscellaneous	28,967	87,109		116,076
	<u>2,189,401</u>	<u>7,578,508</u>	<u>110,000</u>	<u>9,877,909</u>
Cash Disbursements:				
Current:				
General Government	772,042	54,550		826,592
Public Safety	34,245	4,991,821		5,026,066
Public Works	405,769	893,629		1,299,398
Health	10,064			10,064
Conservation - Recreation	324,181			324,181
Capital Outlay	224,777	41,342	190,131	456,250
Debt Service:				
Redemption of Principal		195,000		195,000
Interest and Other Fiscal Charges		44,346		44,346
	<u>1,771,078</u>	<u>6,220,688</u>	<u>190,131</u>	<u>8,181,897</u>
Total Receipts Over/(Under) Disbursements	<u>418,323</u>	<u>1,357,820</u>	<u>(80,131)</u>	<u>1,696,012</u>
Fund Cash Balances, January 1	<u>1,702,162</u>	<u>9,265,697</u>	<u>80,166</u>	<u>11,048,025</u>
Fund Cash Balances, December 31	<u>\$2,120,485</u>	<u>\$10,623,517</u>	<u>\$35</u>	<u>\$12,744,037</u>
Reserve for Encumbrances, December 31	<u>\$257,131</u>	<u>\$352,963</u>	<u>\$0</u>	<u>\$610,094</u>

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$775,702	\$5,601,796	\$0	\$6,377,498
Charges for Services		347,889		347,889
Licenses, Permits, and Fees	65,825	93,111		158,936
Fines and Forfeitures	34,229	4,600		38,829
Intergovernmental	493,952	965,485		1,459,437
Special Assessments		73,643		73,643
Earnings on Investments	475,489	5,514		481,003
Miscellaneous	14,616	124,346		138,962
	<u>1,859,813</u>	<u>7,216,384</u>	<u>0</u>	<u>9,076,197</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	696,757	50,273		747,030
Public Safety	22,915	4,776,350		4,799,265
Public Works	756,977	445,606		1,202,583
Health	8,903			8,903
Human Services				0
Conservation - Recreation	230,629			230,629
Capital Outlay	75,231	220,917		296,148
Debt Service:				
Redemption of Principal		185,000		185,000
Interest and Other Fiscal Charges		51,100		51,100
	<u>1,791,412</u>	<u>5,729,246</u>	<u>0</u>	<u>7,520,658</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>68,401</u>	<u>1,487,138</u>	<u>0</u>	<u>1,555,539</u>
Fund Cash Balances, January 1	<u>1,633,761</u>	<u>7,778,559</u>	<u>80,166</u>	<u>9,492,486</u>
Fund Cash Balances, December 31	<u>\$1,702,162</u>	<u>\$9,265,697</u>	<u>\$80,166</u>	<u>\$11,048,025</u>
Reserve for Encumbrances, December 31	<u>\$17,813</u>	<u>\$67,347</u>	<u>\$0</u>	<u>\$85,160</u>

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Clearcreek Township, Warren County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, police and fire protection and emergency medical services.

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

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

B. Accounting Basis

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

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

C. Cash and Investments

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

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

1. General Fund

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire Fund – This fund receives property tax money for providing fire protection to Township residents.

Police Fund – This fund receives property tax money for providing police protection to Township residents.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project funds:

Ohio Public Works Commission (OPWC) Fund - The Township received a grant from the OPWC for Bunnell Hill Road Improvements.

Computer Fund – This fund spent money to upgrade the Township's computer systems.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Equity in Pooled Cash and Investments

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

	2007	2006
Demand deposits	\$3,351,076	\$1,120,240
Total deposits	3,351,076	1,120,240
STAR Ohio	9,392,961	9,927,785
Total investments	9,392,961	9,927,785
Total deposits and investments	\$12,744,037	\$11,048,025

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

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,359,603	\$2,189,401	\$829,798
Special Revenue	6,849,342	7,578,508	729,166
Capital Projects	0	110,000	110,000
Total	\$8,208,945	\$9,877,909	\$1,668,964

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,704,051	\$2,028,209	\$675,842
Special Revenue	8,489,294	6,573,651	1,915,643
Capital Projects	80,166	190,131	(109,965)
Total	\$11,273,511	\$8,791,991	\$2,481,520

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,359,850	\$1,859,813	\$499,963
Special Revenue	6,546,150	7,216,384	670,234
Capital Projects	0	0	0
Total	\$7,906,000	\$9,076,197	\$1,170,197

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,745,951	\$1,809,225	\$936,726
Special Revenue	7,304,023	5,796,593	1,507,430
Capital Projects	80,166	0	80,166
Total	\$10,130,140	\$7,605,818	\$2,524,322

Contrary to Ohio law, the Township did not establish a special fund for the Ohio Public Works Commission on-behalf grant for 2007 or route the grant through the Township budgetary process. The negative variance for the 2007 Capital Projects Budgeted versus Actual Expenditures is a result of an adjustment to the financial statements to record payments to vendors by the Ohio Public Works Commission on behalf of the Township.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

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

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

5. Debt

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$855,000	3.4% - 4.4%
Dump Truck Lease/Purchase	38,864	6.1%
Land Purchase Promissory Note	305,461	5%
Total	<u>\$1,199,325</u>	

The Township issued general obligation bonds in 2002 to finance the construction of two fire substations and fire apparatus to be used by the Township for fire operations. The bonds are collateralized solely by the Township's taxing authority.

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

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

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	General Obligation Bonds	Dump Truck Lease/ Purchase	Land Purchase Promissory Note
2008	\$236,645	\$21,227	\$168,349
2009	238,395	21,227	160,544
2010	239,470		
2011	234,900		
Total	<u>\$949,410</u>	<u>\$42,454</u>	<u>\$328,893</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Township contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

7. Risk Management

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

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

The Township 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.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

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, 2007 and 2006.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. Risk Management (Continued)

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$42,288. 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>	
2005	\$54,303
2006	\$59,375
2007	\$51,370

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. Related Party Transactions

The Township employees receive health insurance from the Ohio Insurance Services Agency, Inc. A Township Trustee is President of a local insurance agency. The Vice President of that local insurance agency receives payment from the Ohio Insurance Services Agency, Inc. for duties performed for the Township, while also in the employ of the Trustee's insurance agency. Another employee of the Trustee's insurance agency also performs services for the Ohio Insurance Services Agency, Inc. The Township paid \$666,370 in 2007 and \$584,647 in 2006 to the Ohio Insurance Services Agency, Inc.

10. Compliance

Contrary to Ohio law a Trustee knowingly had an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

11. Subsequent Events

On May 27, 2008 the Township purchased 61.833 acres for the price of \$556,497.

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Mary Taylor, CPA

Auditor of State

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

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

To the Township Board of Trustees:

We have audited the financial statements of Clearcreek Township, Warren County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 22, 2008, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Governmental Auditing Standards* consider this service to impair the Auditor of State's independence to audit the Township. However, *Governmental Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for 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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated August 22, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-003.

We also note certain noncompliance other matters that we reported to the Township's management in a separate letter dated August 22, 2008.

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 responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

August 22, 2008

**CLEARCREEK TOWNSHIP
WARREN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code, § 2921.42(A)(1), provides no public official shall knowingly authorize, or employ the authority or influence of the public official's office to secure authorization of any public contract in which the public official, a member of the public official's family, or any of the public official's business associates has an interest.

Ohio Rev. Code, § 102.03(D), provides that no public official or employee shall use or authorize the use of authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

The Township employees receive health insurance from the Ohio Insurance Services Agency, Inc. A Township Trustee is President of a local insurance agency. The Vice President of that local insurance agency receives payment from the Ohio Insurance Services Agency, Inc. for duties performed for the Township, while also in the employ of the Trustee's insurance agency. Another employee of the Trustee's insurance agency also performs services for the Ohio Insurance Services Agency, Inc. The Township paid \$666,370 in 2007 and \$584,647 in 2006 to the Ohio Insurance Services Agency, Inc. The Trustee approves the monthly payment of Township bills at the Trustees meetings.

This matter will be referred to the Ohio Ethics Commission.

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

FINDING NUMBER 2007-002
(Continued)

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township did not properly certify the availability of funds for 21% of the transactions tested in 2007 and 28% for 2006. There was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Rev. Code, § 5705.09(F), requires the township to establish a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a specific purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure and anticipated expenditures should be included in the Township’s appropriations.

**FINDING NUMBER 2007-003
(Continued)**

As further discussed in Auditor of State Bulletin 2000-008, the Township shall record the appropriations in accordance with the terms and conditions of the on-behalf grant or project agreement. In addition, prior to the Township recording the appropriations, Ohio Revised Code § 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

The Township did not record Ohio Public Works Commission (OPWC) monies disbursed on behalf of the Township nor was the monies included in the appropriations by the Township for fiscal year 2007. The unrecorded OPWC on behalf monies totaled \$110,000 and was paid to WG Stang, LLC. We recommend the Township follow the accounting treatment as prescribed in Auditor of State Bulletin 2000-008 for on-behalf grants or improvement projects.

The \$110,000 has been added to the accompanying financial statements.

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



Mary Taylor, CPA
Auditor of State

CLEARCREEK TOWNSHIP

WARREN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 2, 2008