



Dave Yost • Auditor of State

CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Clearcreek Township
Fairfield County
10474 Dozer Road
Stoutsville, Ohio 43154

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Clearcreek Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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

As described in Note 1 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 Clearcreek Township, Fairfield County, Ohio, as of December 31, 2012 and 2011, 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, Fairfield County, Ohio as of December 31, 2012 and 2011, 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 permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 Clearcreek Township, Fairfield County, Ohio, adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2013, 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

August 9, 2013

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 58,062	\$ 316,939	\$ -	\$ -	\$ -	\$ 375,001
Charges for Services	-	71,400	-	-	-	71,400
Licenses, Permits and Fees	24,956	12,645	-	-	-	37,601
Intergovernmental	55,575	194,650	-	-	-	250,225
Earnings on Investments	1,870	248	-	-	206	2,324
Miscellaneous	628	27,588	-	-	-	28,216
<i>Total Cash Receipts</i>	<u>141,091</u>	<u>623,470</u>	<u>-</u>	<u>-</u>	<u>206</u>	<u>764,767</u>
Cash Disbursements						
Current:						
General Government	94,105	-	-	-	-	94,105
Public Safety	-	80,518	-	-	-	80,518
Public Works	-	368,982	-	-	-	368,982
Health	12,474	31,213	-	-	-	43,687
Other	1,382	-	-	-	-	1,382
Capital Outlay	11,367	130,041	-	-	-	141,408
Debt Service:						
Principal Retirement	-	78,800	4,100	-	-	82,900
Interest and Fiscal Charges	-	4,921	-	-	-	4,921
<i>Total Cash Disbursements</i>	<u>119,328</u>	<u>694,475</u>	<u>4,100</u>	<u>-</u>	<u>-</u>	<u>817,903</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>21,763</u>	<u>(71,005)</u>	<u>(4,100)</u>	<u>-</u>	<u>206</u>	<u>(53,136)</u>
Other Financing Receipts (Disbursements)						
Other Debt Proceeds	-	115,410	-	-	-	115,410
Transfers In	-	-	4,100	58,665	-	62,765
Transfers Out	(25,000)	(37,765)	-	-	-	(62,765)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,000)</u>	<u>77,645</u>	<u>4,100</u>	<u>58,665</u>	<u>-</u>	<u>115,410</u>
<i>Net Change in Fund Cash Balances</i>	<u>(3,237)</u>	<u>6,640</u>	<u>-</u>	<u>58,665</u>	<u>206</u>	<u>62,274</u>
<i>Fund Cash Balances, January 1</i>	<u>168,364</u>	<u>622,726</u>	<u>-</u>	<u>225,000</u>	<u>60,796</u>	<u>1,076,886</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	42,957	42,957
Restricted	-	629,366	-	283,665	18,045	931,076
Unassigned (Deficit)	165,127	-	-	-	-	165,127
<i>Fund Cash Balances, December 31</i>	<u>\$ 165,127</u>	<u>\$ 629,366</u>	<u>\$ -</u>	<u>\$ 283,665</u>	<u>\$ 61,002</u>	<u>\$ 1,139,160</u>

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

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 57,422	\$ 317,675	\$ -	\$ -	\$ -	\$ 375,097
Charges for Services	-	62,000	-	-	-	62,000
Licenses, Permits and Fees	24,083	14,325	-	-	-	38,408
Intergovernmental	41,690	195,935	-	-	-	237,625
Earnings on Investments	1,661	263	-	-	151	2,075
Miscellaneous	1,348	23,274	-	-	-	24,622
<i>Total Cash Receipts</i>	<u>126,204</u>	<u>613,472</u>	<u>-</u>	<u>-</u>	<u>151</u>	<u>739,827</u>
Cash Disbursements						
Current:						
General Government	101,972	152	-	-	-	102,124
Public Safety	-	51,862	-	-	-	51,862
Public Works	-	355,031	-	-	-	355,031
Health	12,154	29,726	-	-	-	41,880
Other	1,512	-	-	-	-	1,512
Capital Outlay	14,301	3,376	-	1,725	-	19,402
Debt Service:						
Principal Retirement	-	73,862	4,100	-	-	77,962
Interest and Fiscal Charges	-	7,916	-	-	-	7,916
<i>Total Cash Disbursements</i>	<u>129,939</u>	<u>521,925</u>	<u>4,100</u>	<u>1,725</u>	<u>-</u>	<u>657,689</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,735)</u>	<u>91,547</u>	<u>(4,100)</u>	<u>(1,725)</u>	<u>151</u>	<u>82,138</u>
Other Financing Receipts (Disbursements)						
Sale of Capital Assets	-	10,000	-	-	-	10,000
Transfers In	-	-	4,100	75,000	-	79,100
Transfers Out	(25,000)	(54,100)	-	-	-	(79,100)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,000)</u>	<u>(44,100)</u>	<u>4,100</u>	<u>75,000</u>	<u>-</u>	<u>10,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(28,735)</u>	<u>47,447</u>	<u>-</u>	<u>73,275</u>	<u>151</u>	<u>92,138</u>
<i>Fund Cash Balances, January 1</i>	<u>197,099</u>	<u>575,279</u>	<u>-</u>	<u>151,725</u>	<u>60,645</u>	<u>984,748</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	42,957	42,957
Restricted	-	622,726	-	225,000	17,839	865,565
Unassigned (Deficit)	168,364	-	-	-	-	168,364
<i>Fund Cash Balances, December 31</i>	<u>\$ 168,364</u>	<u>\$ 622,726</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 60,796</u>	<u>\$ 1,076,886</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, 2012 AND 2011**

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, Fairfield County, Ohio, (the Township) as a body corporate and politic. A publicly-elected Fiscal Officer and 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 participates in the Fairfield Regional Planning Commission jointly governed organization and the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. The organizations are:

Jointly Governed Organization:

Fairfield Regional Planning Commission: The Township appoints a member of the Board to represent the Township on the 48 member board of the Fairfield Regional Planning Commission.

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA): The Township participates in OTARMA, a governmental risk-sharing pool whose Members consist solely of Ohio Townships. OTARMA provides property and casualty coverage for its members.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

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

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

Fire Miscellaneous Debt Service Fund – This fund accounts for the accumulation of resources from transfers from the Fire Operating Special Revenue Fund for the repayment of debt.

EMS Miscellaneous Debt Service Fund – This fund accounts for the accumulation of resources from transfers from the EMS Operating Special Revenue Fund for the repayment of debt.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

Capital Reserve Fire Fund – The Capital Reserve Fire Fund, established under ORC 5705.13, accounts for the accumulation of resources from transfers from the Fire Operating Special Revenue Fund for the purchase of Fire Equipment.

Capital Reserve EMS Fund – The Capital Reserve EMS Fund, established under ORC 5705.13, accounts for the accumulation of resources from transfers from the EMS Operating Special Revenue Fund for the purchase of EMS Equipment.

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

4. Capital Project Funds (Continued)

Capital Reserve Township Barn Fund – The Capital Reserve Township Barn Fund, established under ORC 5705.13, accounts for the accumulation of resources from transfers from the General Fund for the construction and/or remodel of the Township Barn.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. 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:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. 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.

3. 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.

4. 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.

5. 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.

G. 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.

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

H. 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 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:

	2012	2011
Demand deposits	\$1,084,813	\$1,022,628
Certificates of deposit	4,819	4,768
Total deposits	1,089,632	1,027,396
STAR Ohio	49,528	49,490
Total investments	49,528	49,490
Total deposits and investments	\$1,139,160	\$1,076,886

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 123,866	\$ 141,091	\$17,225
Special Revenue	647,035	738,880	91,845
Debt Service	4,100	4,100	0
Capital Projects	75,000	58,665	(16,335)
Permanent	-	206	206
Total	\$850,001	\$942,942	\$92,941

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 193,317	\$ 144,328	\$48,989
Special Revenue	861,025	732,240	128,785
Debt Service	4,100	4,100	0
Capital Projects	75,000	-	75,000
Total	\$1,133,442	\$880,668	\$252,774

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 135,391	\$126,204	(\$9,187)
Special Revenue	637,700	623,472	(14,228)
Debt Service	4,100	4,100	0
Capital Projects	75,000	75,000	0
Permanent	-	151	151
Total	\$852,191	\$828,927	(\$23,264)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,465	\$154,939	\$38,526
Special Revenue	797,725	576,025	221,700
Debt Service	4,100	4,100	0
Capital Projects	76,725	1,725	75,000
Total	\$1,072,015	\$736,789	\$335,226

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge fund by \$35,225 for the year ended December 31, 2012.

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, 2012 AND 2011
(Continued)**

5. Debt

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Truck Lease 2008	25,986	4.25%
Mower Lease 2010	25,003	4.41%
Ambulance Lease 2010	10,436	4.20%
Firehouse Remodel Note	10,250	0.00%
Truck and Body Note 2012	103,469	2.30%
Total	<u><u>\$175,144</u></u>	

On March 13, 2008, the township entered into a lease-purchase agreement with Ohio Township Association Master Lease Program (OTAL) to finance the purchase of a new fire truck in the amount of \$142,661 for the use in fire protection. Payments will be made semi-annually in the amount of \$13,408. Per the term of the lease, ownership of the fire truck will transfer to the Township after five years. However, the Township has the option to cancel the lease.

On November 24, 2009, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new mower in the amount of \$58,670 for the use in road maintenance. Payments will be made semi-annually in the amount of \$6,602. Per the term of the lease, ownership of the mower will transfer to the Township after five years. However, the Township has the option to cancel the lease.

On May 19, 2010, the Township entered into a lease-purchase agreement with OTAL to finance the purchase of a new ambulance in the amount of \$59,547 for the use in emergency medical services. Payments will be made semi-annually in the amount of \$10,653. Per the term of the lease, ownership of the ambulance will transfer to the Township after five years. However, the Township has the option to cancel the lease.

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

On July 12, 2012, the Township entered into a loan agreement with Kingston National Bank to purchase a truck and body dump in the amount of \$115,410. Payments will be made semi-annually in the amount of \$12, 248.

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

Year ending December 31:	<u>Fire Truck</u>	<u>Mower</u>	<u>Ambulance</u>	<u>Fire House Remodel</u>	<u>Truck and Body Dump</u>
2013	\$26,816	\$13,204	\$10,653	\$4,100	\$24,496
2014		13,204		4,100	24,496
2015				2,050	24,496
2016					24,496
2017					12,248
Total	<u><u>\$26,816</u></u>	<u><u>\$26,408</u></u>	<u><u>\$10,653</u></u>	<u><u>\$10,250</u></u>	<u><u>\$110,232</u></u>

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Retirement Systems

The Township's employees and elected officials 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. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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) confirm with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(\$9,355,082)</u>	<u>(\$9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and 8.6 million of unpaid claims to be billed to approximately 944 member governments in the future as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$12,000

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>2012</u>	<u>2011</u>
\$20,052	\$21,312

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.

8. Jointly Governed Organizations

Fairfield Regional Planning Commission – The Township appoints a member of the zoning commission to represent the Township on the 48 member board of the Fairfield Regional Planning Commission. The Township's membership amount was \$874. There is no ongoing financial responsibility by the Township.

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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
Fairfield County
10474 Dozer Road
Stoutsville, Ohio 43154

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 Clearcreek Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 opinion 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider finding 2012-01 described in the accompanying schedule of findings to be a material weakness.

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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

Entity's Response to Findings

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.

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

August 9, 2013

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-01

Financial Statement Adjustment - Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the members of the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following adjustments were made to the financial statements for the year ended December 31, 2012:

- To increase Special Revenue Fund other debt proceeds and capital outlay expenditures for new loan obtained by the Township in the amount of \$115,410.
- Reclassification to reduce transfers out and increase general government expenditures by \$16,335 in the Special Revenue fund.
- Reclassification to reduce nonspendable fund balance and increase restricted fund balance by \$18,045 in the Permanent fund.

The following adjustments were made to the financial statements for the year ended December 31, 2011:

- Reclassification to reduce nonspendable fund balance and increase restricted fund balance by \$17,839 in the Permanent fund.

A monitoring system should be in place to prevent or detect material misstatements for the accurate presentation of the Township's financial statements.

We recommend the Township's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network (UAN) line item descriptions and AOS Bulletins. By exercising accuracy in recording financial activity, the Township can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials Response:

We will contact the UAN helpdesk to reclassify equity in the Permanent Fund so that the interest earned can be expensed on future projects. We will also be alert for similar adjustments in the future.

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-02

Expenditures Exceeding Appropriations - Noncompliance

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Township is the level at which Trustees adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2012 at the fund level as follows:

<u>Fund #</u>	<u>Fund Name</u>	<u>Appropriation Authority</u>	<u>Total Expenditures</u>	<u>Variance</u>
2031	Road and Bridge Fund	\$ 311,875	\$ 347,100	\$ (35,225)

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and resulted in deficit spending in the Road and Bridge Fund.

The noncompliance above was a result of posting errors. The Fiscal Officer should follow UAN guidelines for posting Township activity as noted in Finding 2012-01 and not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials Response:

This error occurred due to audit adjustments made to the financial statements to record the purchase of a truck in which the Township obtained financing to purchase.

**CLEARCREEK TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Material Weakness – Posting Amended Budgets	Partially Corrected	Included in Management Letter for current audit.
2010-02	Material Weakness – Posting of Debt Proceeds and Payments	Not Corrected	Finding 2012-01 for current audit.

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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 17, 2013**