



Dave Yost • Auditor of State

ST. CLAIR TOWNSHIP
BUTLER COUNTY

TABLE OF CONTENTS

TITLE	PAGE
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, 2010.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	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>	13
Schedule of Findings	15
Schedule of Prior Audit Findings	23

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Dave Yost • Auditor of State

St. Clair Township
Butler County
2449 Jackson Rd
Overpeck, Ohio 45055

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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 12, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

St. Clair Township
Butler County
2449 Jackson Rd
Overpeck, Ohio 45055

To the Board of Trustees:

We have audited the accompanying financial statements of St Clair Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009. 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

During 2009 and 2010 the Township made several posting errors between the Road and Bridge Fund and the General Fund, and other funds as noted in Finding 2010-007. Section 5705.10 of the Revised Code restricts the use of the Road and Bridge Fund. In 2010 the Township posted \$10,369 of General Fund intergovernmental receipts to the Road and Bridge Fund as tax receipts. Had these receipts been properly recorded in the General Fund, the effect would have been an increase to the General Fund cash balance and a decrease to the Road and Bridge Fund cash balance. The Township did not record reserves for encumbrances for December 31, 2010 and did not provide documentation to determine if reserves for encumbrances existed at December 31, 2010.

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 Governments 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, except for the matters referred to in the third paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2010 and 2009 and the reserves for encumbrances for December 31, 2009 of St. Clair Township, Butler County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, 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.



Dave Yost
Auditor of State

March 12, 2012

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES**

**ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$76,835	\$578,707	\$0	\$655,542
Charges for Services	-	158,996	-	158,996
Licenses, Permits, and Fees	32,737	54,488	-	87,225
Intergovernmental	238,798	130,830	-	369,628
Special Assessments	-	216,978	-	216,978
Earnings on Investments	4,836	1,383	-	6,219
Miscellaneous	11,974	35,867	-	47,841
Total Cash Receipts	365,180	1,177,249	-	1,542,429
Cash Disbursements:				
Current:				
General Government	335,640	585,576	-	921,216
Public Safety	-	33,491	-	33,491
Public Works	765	602,150	-	602,915
Health	-	114	-	114
Capital Outlay	-	21,837	1,033	22,870
Debt Service:				
Redemption of Principal	-	133,388	-	133,388
Interest and Other Fiscal Charges	-	13,245	-	13,245
Total Cash Disbursements	336,405	1,389,801	1,033	1,727,239
Total Receipts Over/(Under) Disbursements	28,775	(212,552)	(1,033)	(184,810)
Other Financing Receipts/(Disbursements):				
Transfers-Out	(8,074)	-	-	(8,074)
Total Other Financing Receipts/(Disbursements)	(8,074)	-	-	(8,074)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	20,701	(212,552)	(1,033)	(192,884)
Fund Cash Balance, January 1	76,440	1,126,959	1,033	1,204,432
Fund Cash Balance, December 31	\$97,141	\$914,407	\$0	\$1,011,548

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

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH
BALANCES**

**ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$90,613	\$606,649	\$0	\$697,262
Charges for Services	-	143,887	-	143,887
Licenses, Permits, and Fees	31,258	45,757	-	77,015
Intergovernmental	137,059	199,599	-	336,658
Special Assessments	-	208,245	-	208,245
Earnings on Investments	15,722	2,861	-	18,583
Miscellaneous	8,295	43,746	-	52,041
Total Cash Receipts	<u>282,947</u>	<u>1,250,744</u>	<u>-</u>	<u>1,533,691</u>
Cash Disbursements:				
Current:				
General Government	337,423	488,921	-	826,344
Public Safety	-	27,786	-	27,786
Public Works	5,000	545,980	-	550,980
Health	-	114	-	114
Capital Outlay	-	33,248	-	33,248
Debt Service:				
Redemption of Principal	-	132,903	-	132,903
Interest and Other Fiscal Charges	-	16,848	-	16,848
Total Cash Disbursements	<u>342,423</u>	<u>1,245,800</u>	<u>-</u>	<u>1,588,223</u>
Total Receipts Over/(Under) Disbursements	<u>(59,476)</u>	<u>4,944</u>	<u>-</u>	<u>(54,532)</u>
Fund Cash Balance, January 1	135,916	1,122,015	1,033	1,258,964
Fund Cash Balance, December 31	<u>\$76,440</u>	<u>\$1,126,959</u>	<u>\$1,033</u>	<u>\$1,204,432</u>
Reserve for Encumbrances, December 31	<u>\$495</u>	<u>\$286</u>	<u>\$0</u>	<u>\$781</u>

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

**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 St. Clair Township, Butler 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, cemetery maintenance, waste collections, fire protection and emergency medical services.

The Township participates in the Ohio Government's Plan Risk Management, Inc public entity risk pool. 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. Deposits and Investments

The Township values certificates of deposit at cost.

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:

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

Garbage and Waste Disposal Fund - This fund receives special assessment money to pay for collection and disposal of Township residential waste.

**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

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.

A summary of 2010 and 2009 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 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:

	2010	2009
Demand deposits	<u>\$182,271</u>	<u>\$375,428</u>
Certificates of deposit	834,340	829,004
Total deposits	<u><u>\$1,016,611</u></u>	<u><u>\$1,204,432</u></u>

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

**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

The December 31, 2010 total deposits carrying amount does not tie to the financial statements because the Township did not reconcile the book balance to the bank balance.

3. Budgetary Activity

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

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$282,371	\$365,180	\$82,809
Special Revenue	1,138,183	1,177,249	39,066
Capital Projects	0	0	0
Total	\$1,420,554	\$1,542,429	\$121,875

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$357,185	\$344,479	\$12,706
Special Revenue	1,932,362	1,389,801	542,561
Capital Projects	1,033	1,033	0
Total	\$2,290,580	\$1,735,313	\$555,267

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$522,780	\$282,947	(\$239,833)
Special Revenue	1,312,366	1,250,744	(61,622)
Capital Projects	0	0	0
Total	\$1,835,146	\$1,533,691	(\$301,455)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$392,310	\$342,918	\$49,392
Special Revenue	1,485,950	1,246,086	239,864
Capital Projects	1,033	0	1,033
Total	\$1,879,293	\$1,589,004	\$290,289

**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(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, 2010 was as follows:

	Principal	Interest Rate
Overpeck Building Loan	\$103,796	4.75%
Total	\$103,796	

The Township obtained a commercial loan to finance the purchase of a building for the Township.

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

Year ending December 31:	Building Loan
2011	\$18,118
2012	18,118
2013	18,118
2014	18,118
2015	18,118
2016-2017	36,236
Total	\$126,826

6. Retirement Systems

The Township's 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 benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has not paid all contributions required through December 31, 2010.

**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Risk Management (Continued)

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

8. Compliance

Contrary to Ohio law, the Township did not limit restricted monies to the restricted purpose of the associated fund.

At December 31, 2010 the Township owed the Internal Revenue Service \$54,286 for employee withholdings not remitted by the required date.

9. Related Party Transactions

The Township conducted business with the following related parties during the audit period:

- In 2010 and 2009 the Township acquired various items from AI Couch Supermarket in the amount of \$2,638 and \$3,325 respectively. Gary Couch is a Township Trustee and is the owner of this store.
- In 2010 and 2009 the Township acquired various items from Jeff Couch's Campers LLC in the amount of \$70 and \$23 respectively on the Township credit card. Gary Couch is the brother of the owner of this company.
- In 2010 and 2009 the Township acquired various services from R Squared Custom Woodworks in the amounts of \$3,630 and \$37,335 respectively. R Square Custom Woodworks is owned by the husband of Rhonda Gentry, Fiscal Officer; and son-in-law of Richard Lindy Trustee.



Dave Yost • Auditor of State

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

St. Clair Township
Butler County
2449 Jackson Rd
Overpeck, Ohio 45055

To the Board of Trustees:

We have audited the financial statements of St. Clair Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated March 12, 2012 wherein we qualified our opinion due to the Township not posting adjustments between funds to correct errors and did not provide information to determine if reserves for encumbrances should have been recorded at December 31, 2010. We also noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-005 described in the accompanying schedule of findings to be a material weakness.

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 2010-006 described in the accompanying schedule of findings to be a significant deficiency.

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 2010-001 through 2010-004, and 2010-007.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 12, 2012.

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 management, the Board of Trustees, and others within the Township. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

March 12, 2012

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

Noncompliance

Ohio Rev. Code, Section 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 encumbrances.

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 encumbrances, 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. 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" certifications 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 Certificates – 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.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

In fiscal year 2009 and 2010, forty-three percent (43%) and twenty percent (20%) of the transactions tested respectively did not have certification prior to the obligation date and none of the three exceptions provided above were utilized. In addition, the Township was unable to provide documentation for the amounts that should have been reserved for encumbrances at December 31, 2010.

**FINDING NUMBER 2010-001
(Continued)**

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, 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 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 officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. 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 orders to the proper appropriation code to reduce the available appropriation.

FINDING NUMBER 2010-002

Finding for Recovery Repaid Under Audit

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

The Township's rental of the VFW hall included an alcohol purchase valued at \$90. The rental agreement was signed by Barbara Schick on behalf of the Township.

In accordance with the forgoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Barbara Schick, in the amount of \$90, in favor of the General Fund.

When informed of these facts, Mr. Couch agreed to repay the Township. The Township Trustee repaid this amount to the Township on September 29, 2011.

FINDING NUMBER 2010-003

Finding For Recovery Repaid Under Audit

Ohio Rev. Code, Section 149.351, states, in part, that "all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions."

Auditor of State Bulletin 2003-005 states that government entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin addresses the requirements necessary to ensure that an entity's expenditure of public funds is for a proper public purpose.

Ohio Attorney General Opinion 82-006 addressed the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case *States ex rel. McClure v. Hagerman, 155 Ohio St. 329 (1951)*, states that expenditures made by a governmental unit should serve a public purpose.

**FINDING NUMBER 2010-003
 (Continued)**

During the 2009 through 2010 audit during our review of expenditures for St. Clair Township we noted 7 credit card charges that were paid as expenditures for individual expenses and equipment. However, there were no detailed invoices or receipts provided to support these expenditures as follows:

Check Number	Check Date	Credit Card Transaction Date	Vendor	Amount	Fund Number	Card Holder
12948-2	8/7/09	7/13/09	Micro Center	\$85.18	2191	Steve Weigold
13656-2	12/28/09	11/19/09	SAMs Wireless	13.83	2191	Steve Weigold
14146-2	3/19/10	2/17/10	Outback	11.41	1000	Rhonda Gentry
14146-2	3/19/10	2/18/10	GCCC Parking	8.00	1000	Rhonda Gentry
14286-2	4/30/10	4/6/10	Japanese Steak House	29.00	1000	Rhonda Gentry
14868-2	9/3/10	9/8/10	Walgreens	14.85	1000	Rhonda Gentry
15231-2	11/11/10	10/12/10	Asurion Sprint	50.00	1000	Rhonda Gentry
			Total	\$212.27		

Without appropriate documentation, it is not possible to determine if the expenditure was made for a proper public purpose.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Steve Weigold in the amount of \$99; and Rhonda Gentry in the amount of \$113 and in favor of the St. Clair Township General Fund, Life Squad Fund, General Fund, and Road and Bridge Fund respectively.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is liable for the amount of the expenditure. Seward v. National Surety Corp. (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State ex. Rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Therefore, because the Fiscal Officer Rhonda Gentry signed or authorized the payments, she is jointly and severally liable in the amount of \$212, and in favor of the St. Clair Township General Fund in the amount of \$113; and the Life Squad Fund in the amount of \$99.

When informed of these facts at the post audit conference, the Trustees agreed to repay the Township. The Township Trustee, Mr. Couch, repaid this amount to the Township on April 30, 2012.

FINDING NUMBER 2010-004

Noncompliance

26 United States Code Section 3403 states the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

26 United States Code Section 3404 states if the employer is the United States, or a State, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose.

Employers who withhold income taxes from wages or who must pay social security or Medicare tax, use Form 941 to report those taxes. From approximately September 2008 through December 2010 the Township filed the required Form 941 late and underpaid the amount of taxes due. At December 31, 2010 the Township owed the Internal Revenue Service (IRS) approximately \$54,286 in taxes due and as noted in Finding 2010-005 the Township incurred approximately \$8,786 in penalties and interest as a result of the late filings and underpayment of taxes due.

We recommend the Township review and submit all liabilities to the IRS when required in order to avoid unnecessary expense in penalties and interest. This matter will be referred to the IRS.

FINDING NUMBER 2010-005

Material Weakness

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting; the effectiveness and efficiency of operations; compliance with applicable laws and regulations; and safeguarding of assets. When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The following issues noted during the audit illustrate a lack of management oversight by the Township:

- Payments in the amount of \$9,555.94 and \$10,116.19 in 2009 and 2010, respectively, from Time Warner Cable were never cashed or deposited into the Township's bank account. We notified the township of this in August 2011 and they requested and received a reissue of these payments from Time Warner.
- The fiscal officer failed to make certain payments for retirement, income tax, credit card purchases, and loans when due to the Ohio Public Employees Retirement System (OPERS), the Internal Revenue Service (IRS), Financial Aurgroup Credit Union and First Financial Bank resulting in the Township incurring the following penalties, finance charges, interest charges, and/or late fees:

Vendor	2009 fees, penalties, or additional interest paid	2010 fees, penalties, or additional interest paid
OPERS	\$2,489	\$2,066
IRS	\$5,068	\$3,718
First Financial- Fire Truck Loan	N/A	\$2,342
First Financial- Building Loan	\$151	N/A
Credit Card Late Fees and minor sales tax paid by the Township	\$351	\$373

FINDING NUMBER 2010-005
(Continued)

- There was no evidence provided for audit to demonstrate the fiscal officer presented monthly reports to the Trustees reflecting the Township's monthly activity including the detail for the revenues/receipts collected, the disbursements and the purpose of the disbursements, and the assets and liabilities of the Board.
- In 2009 and 2010, the Township posted \$8,695 and \$3,667, respectively, of Homestead and Rollback; Excess Kilowatt distribution; and local government receipts as taxes instead of intergovernmental receipts in the General Fund.
- In 2009 and 2010, the Township posted \$73,123 and \$55,255 respectively, of Homestead and Rollback and Permissive Motor Vehicle receipts as taxes instead of intergovernmental receipts in the Road and Bridge, Fire District, Road District, Life Squad, and Permissive Motor Vehicle Special Revenue Funds. The financial statements have not been adjusted for this.
- In 2009 the Township posted \$4,975 and \$1,262 for a disbursement to repair the firehouse to the Cemetery Fund and Road District Fund instead of the Fire District Fund. The financial statements have not been adjusted for this, see Finding 2010-007.
- In 2010 the Township posted \$8,074 of General Government receipts as Transfers Out in the General Fund. The financial statements have not been adjusted for this.
- In 2010 the Township posted \$10,369 of Local Government receipts as taxes in the Road and Bridge Fund instead of intergovernmental receipts in the General Fund. The financial statements have not been adjusted for this, see Finding 2010-007.
- In 2010 the Township posted \$3,108 in Motor Vehicle License receipts to Tax Receipts in the Permissive Motor Vehicle Fund while \$2,625 in Permissive Motor Vehicle receipts were posted as Intergovernmental receipts in the Motor Vehicle Tax Fund instead of intergovernmental receipts in the Motor Vehicle Tax and Permissive Motor Vehicle Special Revenue Funds respectively. The financial statements have not been adjusted for this, see Finding 2010-007.
- Twenty-three of twenty-four completed monthly bank reconciliations had other adjusting factors for charges not posted to the system or postings that differed from the amounts that cleared the bank. The amounts fluctuated from month to month ranging from \$40.15 to \$551,566.
- The December 31, 2010 reconciliation included \$41,694 in outstanding checks that did not represent valid reconciling items, and a \$36,632 reconciling item used on the reconciliation to balance the book to the bank that had no supporting documentation. Further review during the audit found the invalid outstanding checks and the reconciling item to be related to difference between the amounts recorded in the book and the amounts that actually cleared the bank via ECH issued to OPERS. It was determined that the expenditures recorded on the book exceeded the ECH payments by \$5,062. An audit adjustment to reallocate the \$5,062 to the correct funds based on the OPERS distributions during the year was not made to correct the financial statements, see Finding 2010-007.
- At December 31, 2010, the Township reported twenty-seven outstanding checks totaling \$20,546 that were greater than one year old.

As a result of these weaknesses, errors and/or misstatements occurred for certain receipt and disbursement line items in various funds and were incorrectly reported on the Annual Financial Reports, the financial statements and the underlying accounting records. To assist in addressing these issuers we recommend the following:

**FINDING NUMBER 2010-005
 (Continued)**

- The fiscal officer should exercise due care when posting to the accounting system to prevent errors and assist in properly reflecting the Township's financial activity in the monthly and annual reports. To assist the Township in properly accounting for transactions, the Township should consult the Township Handbook available on the Auditor of State web-site at <http://www.ohioauditor.gov/publications>
- The Fiscal Officer should make all payments, deposit all receipts, and post all items to the accounting system when incurred and perform monthly bank reconciliations as soon as the monthly bank statements are available.
- The minutes are the official proceedings of the Township. The Trustees should specifically identify in the minutes the review and approval of the monthly bank reconciliation and other financial reports to enhance the monitoring procedures of the board.

Failure to implement and improve the monitoring of the financial activity of the Township could result in the unauthorized purchase of goods or services, posting errors going undetected, misappropriations of assets, and Township officials making decisions based inaccurate financial information.

FINDING NUMBER 2010-006

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. The Township failed to properly post estimated resources and appropriations to their UAN accounting system. The following differences were noted between the system and the approved budgetary documents each fiscal year:

Estimated Resources	Per Certificate of Estimated Resources	Amount Posted to System	Variance
General - 2009	\$522,780	\$380,935	(\$141,845)
Motor Vehicle - 2009	15,450	13,000	(2,450)
Gas - 2009	103,000	94,000	(9,000)
Road and Bridge Fund - 2009	292,294	278,000	(14,294)
Cemetery Fund - 2009	196,452	105,000	(91,452)
Appropriations	Per Appropriation Resolution	Amount Posted to System	Variance
General – 2009	\$387,310	\$362,310	\$(25,000)
Cemetery Fund - 2009	116,950	124,950	8,000

Failure to properly post estimated receipts and appropriations could result in excessive spending and possible negative fund balances. We recommend the Township properly post estimated resources and appropriations to their budgetary ledgers. Once posted, the Fiscal Officer and the Trustees should compare the estimated resources and appropriations on the accounting system to the official documents.

FINDING NUMBER 2010-007

Noncompliance/Finding For Adjustment

Ohio Rev. Code, Section 5705.10, restricts the use of the township’s funds for specific purposes. During 2010 and 2009, St. Clair Township made several porting errors as described in finding 2010-005 resulting in the following net fund balance adjustments:

Fund #	Fund Name	Total audit adjustments
1000	General	\$11,789
2011	Motor Vehicle License Tax	483
2031	Road and Bridge	(8,477)
2041	Cemetery	5,348
2111	Fire District	(6,214)
2141	Road District	1,262
2231	Permissive Motor Vehicle License Tax	(483)
	Ambulance And Emergency Medical	
2281	Services	1,354
		<u>\$5,062</u>

In accordance with the foregoing facts, we hereby issue a finding for adjustment:

- Against the Fire District Fund in the amount of \$6,237 and in favor of the Cemetery Fund and Road District Fund in the amounts of \$4,975 and \$1,262 respectively;
- Against the Road and Bridge Fund and in favor of the General Fund in the amount of \$10,369;
- Against the Permissive Motor Vehicle License Tax Fund and in favor of the Motor Vehicle License Tax Fund in the amount of \$483;
- And an adjustment totaling \$5,062 in favor of the General Fund, Road and Bridge Fund, Cemetery Fund, Fire District Fund, and Ambulance and Emergency Medical Services Fund in the amounts of \$1,420; \$1,892; \$373; \$23; and \$1,354, respectively.

We recommend the Township correct these fund balance errors to reflect the correct fund balances.

Officials’ Response:

We acknowledge the issues noted in this report, and are making efforts to correct.

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**ST CLAIR TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC 5705.41(B) Expenditures Exceeding Appropriations	Yes	
2008-002	Ohio Revised Code, Section 5705.36(A)(4) amend official certificate reflecting deficiencies	Yes	
2008-003	Posting approved budgetary amounts into accounting system	No	Repeated as Finding 2010-006
2008-004	Ensure that all transactions are properly classified and recorded	No	Repeated as Finding 2010-005

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Dave Yost • Auditor of State

ST. CLAIR TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2012**