



**Auditor of State
Betty Montgomery**



Mary Taylor, CPA
Auditor of State

January 9, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

This Page is Intentionally Left Blank.

ST. CLAIR TOWNSHIP
COLUMBIANA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets – Cash Basis	11
Statement of Activities – Cash Basis	12
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds.....	14
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	16
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budget Basis - General Fund.....	17
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budget Basis – Road and Bridge Fund.....	18
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budget Basis – Police District Fund.....	19
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budget Basis – Fire Levy Fund.....	20
Notes to the Basic Financial Statements	21
Independent Accountants' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	33

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

St. Clair Township
Columbiana County
15442 Pugh Road
Calcutta, Ohio 43920

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Clair Township, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. Clair Township, Ohio, as of December 31, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, Police District, and Fire Levy funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2006, 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.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 9, 2006

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of St. Clair Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$104,774, or 9%, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest burden of increased costs in 2005; however, cost increases affected most funds.

The Township's general receipts are primarily property taxes and grants and entitlements. These receipts represent respectively 68% and 26% of the total cash received for governmental activities during the year. Property tax and grant and entitlement receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township has one type of activity:

Governmental activities: All of the Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township are all governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road & Bridge Fund, Police Levy Fund, Fire Levy Fund, T.I.F. District Fund and FEMA Midland Fund.

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$1,268,045	\$1,163,271
Total Assets	\$1,268,045	\$1,163,271
Net Assets		
Restricted for:		
Debt Service	1	1
Capital Projects	73,578	77,385
Other Purposes	742,163	765,561
Unrestricted	452,303	320,324
Total Net Assets	\$1,268,045	\$1,163,271

As mentioned previously, net assets of governmental activities increased \$104,774 or 9% during 2005. The primary reasons contributing to the increase in cash balances are as follows:

- The sale of the Township Administrative building during the year helped increase the general fund balance.

Table 2 reflects a comparison of the changes in net assets in 2005 and 2004.

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

(Table 2)
Changes in Net Assets

	Governmental Activities 2005	Governmental Activities 2004	Difference
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$136,392	\$77,959	\$58,433
Operating Grants and Contributions	105,472	97,863	7,609
Total Program Receipts	<u>241,864</u>	<u>175,822</u>	66,042
General Receipts:			
Property Taxes	1,555,432	1,492,408	63,024
Sale of Capital Assets	82,916		82,916
Notes Issued		65,852	(65,852)
Grants and Entitlements Not Restricted to Specific Programs	587,769	425,229	162,540
Interest	31,373	10,260	21,113
Miscellaneous	37,232	21,990	15,242
Total General Receipts	<u>2,294,722</u>	<u>2,015,739</u>	278,983
Total Receipts	<u>2,536,586</u>	<u>2,191,561</u>	345,025
Disbursements:			
General Government	212,163	214,342	(2,179)
Public Safety	1,144,244	1,045,909	98,335
Public Works	475,435	521,531	(46,096)
Health	26,340	25,898	442
Conservation-Recreation	1,777		1,777
Human Services		8,000	(8,000)
Capital Outlay	327,742	192,496	135,246
Debt Service	244,111	244,099	12
Total Disbursements	<u>2,431,812</u>	<u>2,252,275</u>	179,537
Increase (Decrease) in Net Assets	104,774	(60,714)	165,488
Net Assets, Beginning of Year	<u>1,163,271</u>	<u>1,223,985</u>	(60,714)
Net Assets, End of Year	<u>\$1,268,045</u>	<u>\$1,163,271</u>	\$104,774

Program receipts represent only 9.5% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 90.5 % of the Township's total receipts, and of this amount, over 68% are property taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (26%). Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of administration and the road department. Since these costs do not represent direct services to residents, we try to limit these costs.

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Public Safety expenses are the costs of police and fire protection; Public Works are the costs of maintaining the roads; Health Services are the services provided by the Columbiana County Health Department; and Debt Service are the payments made to retire outstanding debt of the Township.

Governmental Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works, which account for 47.1 and 19.6 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 8.7 percent. The next two columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$212,163	\$212,163
Public Safety	1,144,244	1,119,537
Public Works	475,435	311,467
Health	26,340	26,340
Conservation-Recreation	1,777	1,777
Other		(53,189)
Capital Outlay	327,742	327,742
Debt Service	244,111	244,111
Total Expenses	\$2,431,812	\$2,189,948

The dependence upon property tax receipts is apparent as over 90 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,536,586 and disbursements of \$2,431,812. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$131,979 as the result of increased property tax receipts and the sale of the Township Administrative building.

General Fund receipts were greater than disbursements by \$131,979 indicating that the efforts to contain costs and limit expenses were successful. It was the recommendation of the administration that a reduction in disbursements was preferable to requesting additional funds from the taxpayers. These cuts

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

will not eliminate the need for additional funds (or additional cuts) in the future if the growth in property taxes remains stagnant.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were higher than the original budgeted receipts due to unexpected receipts. There was no difference between final budgeted receipts and actual receipts.

Final disbursements were budgeted at \$458,389 while actual disbursements were \$441,023. At year end, the Township spent approximately 96% of the budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The Township keeps track of its capital assets and infrastructure. The capital assets are recorded in the UAN inventory module. The infrastructure is kept separately in a Township Road Plan Manual.

Debt

At December 31, 2005, the Township's outstanding debt included a balance of \$820,793 on a mortgage with 1st NC Bank to pay for the construction of the new administration building, which was constructed in 2002; \$21,951 the balance on a mortgage with Bank One to pay for the purchase of a 2004 Dump Truck; \$250,000 and \$1,299,290 the balances on a mortgage with State Infrastructure Bank (ODOT) to construct McGuffey Drive. For further information regarding the Township's debt, refer to Note 8 (Debt) to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on property taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a deficit for 2006; therefore, the finance committee and the administration implemented a strategy to delay the deficit. This plan became effective for 2005. We reviewed our sources of revenue and determined the trustees could levy to have a permissive motor vehicle license tax implemented. The trustees went through the proper process and have implemented a \$5 license plate fee that will increase the revenue for public works by approximately \$44,000 per year. This will help the public works program as the general fund has to supplement the T.I.F. District fund and the Excise Lodging Tax fund. These funds pay for McGuffey Drive and the mortgage on the new administration building. The Road Department has been informed that the General fund will no longer be able to supplement their funding to the level it has in the past due to the debt outstanding at this time.

St. Clair Township
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah Dawson, Fiscal Officer, St. Clair Township, 15442 Pugh Road, Calcutta, Ohio 43920.

This page intentionally left blank.

St. Clair Township, Columbiana County

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,268,045</u>
<i>Total Assets</i>	<u><u>\$1,268,045</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$73,578
Debt Service	1
Other Purposes	742,163
Unrestricted	<u>452,303</u>
<i>Total Net Assets</i>	<u><u>\$1,268,045</u></u>

See accompanying notes to the basic financial statements

St. Clair Township, Columbiana County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2005

	Program Cash Receipts		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
General Government	\$212,163		
Public Safety	1,144,244	24,707	
Public Works	475,435	59,396	104,572
Health	26,340		
Conservation-Recreation	1,777		
Other		52,289	900
Capital Outlay	327,742		
Debt Service	244,111		
<i>Total Governmental Activities</i>	2,431,812	136,392	105,472
Total	\$2,431,812	\$136,392	\$105,472

General Receipts

Property Taxes Levied for:
 General Purposes
 Grants and Entitlements not
 Restricted to Specific Programs
 Sale of Capital Assets
 Interest
 Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Disbursements) Receipts
and Changes in Net Assets

Governmental Activities	Total
(\$212,163)	(\$212,163)
(1,119,537)	(1,119,537)
(311,467)	(311,467)
(26,340)	(26,340)
(1,777)	(1,777)
53,189	53,189
(327,742)	(327,742)
(244,111)	(244,111)
(2,189,948)	(2,189,948)
(2,189,948)	(2,189,948)
1,555,432	1,555,432
587,769	587,769
82,916	82,916
31,373	31,373
37,232	37,232
2,294,722	2,294,722
104,774	104,774
1,163,271	1,163,271
\$1,268,045	\$1,268,045

St. Clair Township, Columbiana County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Road and Bridge	Police Levy	Fire Levy	T.I.F. District
Assets					
Equity in Pooled Cash and Cash Equivalents	\$452,303	\$271,070	\$366,371	\$19,661	\$42,352
<i>Total Assets</i>	<u>\$452,303</u>	<u>\$271,070</u>	<u>\$366,371</u>	<u>\$19,661</u>	<u>\$42,352</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	\$825	\$2,106	\$7,023		
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	451,478				
Special Revenue Funds		268,964	359,348	19,661	
Debt Service Fund					
Capital Projects Funds					42,352
<i>Total Fund Balances</i>	<u>\$452,303</u>	<u>\$271,070</u>	<u>\$366,371</u>	<u>\$19,661</u>	<u>\$42,352</u>

See accompanying notes to the basic financial statements

FEMA Midland	Other Governmental Funds	Total Governmental Funds
\$2,933	\$113,355	\$1,268,045
<u>\$2,933</u>	<u>\$113,355</u>	<u>\$1,268,045</u>
		\$9,954
		451,478
	85,061	733,034
	1	1
2,933	28,293	73,578
<u>\$2,933</u>	<u>\$113,355</u>	<u>\$1,268,045</u>

St. Clair Township, Columbiana County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Road & Bridge	Police Levy	Fire Levy	T.I.F. District	FEMA Midland	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$128,025	\$281,655	\$722,116	\$250,952	\$114,392		\$100,697	\$1,597,837
Charges for Services			861					861
Licenses, Permits and Fees	52,289						518	52,807
Fines and Forfeitures	22,932						914	23,846
Intergovernmental	241,126	38,050	95,289	33,155		181,050	121,046	709,716
Interest	22,546						8,827	31,373
Other	23,431	9,152	227				4,422	37,232
<i>Total Receipts</i>	<u>490,349</u>	<u>328,857</u>	<u>818,493</u>	<u>284,107</u>	<u>114,392</u>	<u>181,050</u>	<u>236,424</u>	<u>2,453,672</u>
Disbursements								
Current:								
General Government	197,590						14,574	212,164
Public Safety	480		846,016	295,906			1,842	1,144,244
Public Works	49,639	263,811					161,985	475,435
Health	26,340							26,340
Conservation-Recreation	1,777							1,777
Capital Outlay	111,187		33,855		1,285	178,117	3,299	327,743
Debt Service:								
Principal Retirement		21,951			78,515		42,916	143,382
Interest and Fiscal Charges		1,400			63,140		36,189	100,729
<i>Total Disbursements</i>	<u>387,013</u>	<u>287,162</u>	<u>879,871</u>	<u>295,906</u>	<u>142,940</u>	<u>178,117</u>	<u>260,805</u>	<u>2,431,814</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>103,336</u>	<u>41,695</u>	<u>(61,378)</u>	<u>(11,799)</u>	<u>(28,548)</u>	<u>2,933</u>	<u>(24,381)</u>	<u>21,858</u>
Other Financing Sources (Uses)								
Sale of Capital Assets	81,828		1,088					82,916
Transfers In					21,000		32,185	53,185
Transfers Out	(53,185)							(53,185)
Advances In	9,105				9,105			18,210
Advances Out	(9,105)				(9,105)			(18,210)
<i>Total Other Financing Sources (Uses)</i>	<u>28,643</u>	<u>0</u>	<u>1,088</u>	<u>0</u>	<u>21,000</u>	<u>0</u>	<u>32,185</u>	<u>82,916</u>
<i>Net Change in Fund Balances</i>	<u>131,979</u>	<u>41,695</u>	<u>(60,290)</u>	<u>(11,799)</u>	<u>(7,548)</u>	<u>2,933</u>	<u>7,804</u>	<u>104,774</u>
<i>Fund Balances Beginning of Year</i>	<u>320,324</u>	<u>229,375</u>	<u>426,661</u>	<u>31,460</u>	<u>49,900</u>	<u>0</u>	<u>105,551</u>	<u>1,163,271</u>
<i>Fund Balances End of Year</i>	<u>\$452,303</u>	<u>\$271,070</u>	<u>\$366,371</u>	<u>\$19,661</u>	<u>\$42,352</u>	<u>\$2,933</u>	<u>\$113,355</u>	<u>\$1,268,045</u>

See accompanying notes to the basic financial statements

St. Clair Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			(Optional)
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$114,168	\$128,025	\$128,025	\$0
Licenses, Permits and Fees	48,000	52,289	52,289	0
Fines and Forfeitures	12,500	22,932	22,932	0
Intergovernmental	172,267	241,126	241,126	0
Interest	3,600	22,546	22,546	0
Other	1,400	23,431	23,431	0
<i>Total receipts</i>	<u>351,935</u>	<u>490,349</u>	<u>490,349</u>	<u>0</u>
Disbursements				
Current:				
General Government	220,656	211,367	198,415	12,952
Public Safety	500	500	480	20
Public Works	52,662	53,815	49,639	4,176
Health	27,000	26,350	26,340	10
Conservation-Recreation		1,777	1,777	0
Capital Outlay	40,000	111,187	111,187	0
<i>Total Disbursements</i>	<u>340,818</u>	<u>404,996</u>	<u>387,838</u>	<u>17,158</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>11,117</u>	<u>85,353</u>	<u>102,511</u>	<u>17,158</u>
Other Financing Sources (Uses)				
Sale of Capital Assets		81,828	81,828	0
Transfers Out	(51,200)	(53,393)	(53,185)	208
Advances In			9,105	9,105
Advances Out			(9,105)	(9,105)
<i>Total Other Financing Sources (Uses)</i>	<u>(51,200)</u>	<u>28,435</u>	<u>28,643</u>	<u>208</u>
<i>Net Change in Fund Balance</i>	(40,083)	113,788	131,154	17,366
<i>Fund Balance Beginning of Year</i>	319,789	319,789	319,789	0
Prior Year Encumbrances Appropriated	532	532	532	0
<i>Fund Balance End of Year</i>	<u>\$280,238</u>	<u>\$434,109</u>	<u>\$451,475</u>	<u>\$17,366</u>

See accompanying notes to the basic financial statements

St. Clair Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$253,224	\$281,655	\$281,655	\$0
Intergovernmental	33,861	38,050	38,050	0
Other		9,152	9,152	0
<i>Total receipts</i>	<u>287,085</u>	<u>328,857</u>	<u>328,857</u>	<u>0</u>
Disbursements				
Current:				
Public Works	419,967	428,679	265,918	162,761
Debt Service:				
Principal Retirement	21,951	21,951	21,951	0
Interest and Fiscal Charges	960	1,400	1,400	0
<i>Total Disbursements</i>	<u>442,878</u>	<u>452,030</u>	<u>289,269</u>	<u>162,761</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(155,793)</u>	<u>(123,173)</u>	<u>39,588</u>	<u>162,761</u>
<i>Net Change in Fund Balance</i>	(155,793)	(123,173)	39,588	162,761
<i>Fund Balance Beginning of Year</i>	227,960	227,960	227,960	0
Prior Year Encumbrances Appropriated	<u>1,417</u>	<u>1,417</u>	<u>1,417</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$73,584</u></u>	<u><u>\$106,204</u></u>	<u><u>\$268,965</u></u>	<u><u>\$162,761</u></u>

See accompanying notes to the basic financial statements

St. Clair Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional) Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$674,619	\$684,798	\$722,116	\$37,318
Charges for Services	490	861	861	0
Intergovernmental	95,642	95,289	95,289	0
Other		227	227	0
<i>Total receipts</i>	<u>770,751</u>	<u>781,175</u>	<u>818,493</u>	<u>37,318</u>
Disbursements				
Current:				
Public Safety	1,165,841	1,168,363	853,039	315,324
Capital Outlay	36,503	33,981	33,855	126
<i>Total Disbursements</i>	<u>1,202,344</u>	<u>1,202,344</u>	<u>886,894</u>	<u>315,450</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(431,593)</u>	<u>(421,169)</u>	<u>(68,401)</u>	<u>352,768</u>
Other Financing Sources (Uses)				
Sale of Capital Assets		1,088	1,088	0
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>1,088</u>	<u>1,088</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(431,593)	(420,081)	(67,313)	352,768
<i>Fund Balance Beginning of Year</i>	421,728	421,728	421,728	0
Prior Year Encumbrances Appropriated	4,933	4,933	4,933	0
<i>Fund Balance End of Year</i>	<u>(\$4,932)</u>	<u>\$6,580</u>	<u>\$359,348</u>	<u>\$352,768</u>

See accompanying notes to the basic financial statements

St. Clair Township, Columbiana County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Levy Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$236,863	\$250,952	\$250,952	\$0
Intergovernmental	32,432	33,155	33,155	0
<i>Total receipts</i>	<u>269,295</u>	<u>284,107</u>	<u>284,107</u>	<u>0</u>
Disbursements				
Current:				
Public Safety	300,755	300,755	295,906	4,849
<i>Total Disbursements</i>	<u>300,755</u>	<u>300,755</u>	<u>295,906</u>	<u>4,849</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(31,460)</u>	<u>(16,648)</u>	<u>(11,799)</u>	<u>4,849</u>
<i>Net Change in Fund Balance</i>	(31,460)	(16,648)	(11,799)	4,849
<i>Fund Balance Beginning of Year</i>	<u>31,460</u>	<u>31,460</u>	<u>31,460</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$14,812</u>	<u>\$19,661</u>	<u>\$4,849</u>

See accompanying notes to the basic financial statements

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity

St. Clair Township, Columbiana County, Ohio (the Township), is a body politic and corporate established March 5, 1805 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges and provides a police department for police protection. The Township contracts with the Calcutta and Glenmoor Volunteer Fire Departments' for fire protection services.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:

OTARMA-Ohio Township Association Risk Management Authority

The financial statements exclude the following entities, which perform activities within the Township's boundaries for the benefit of its residents because the Township is not financially accountable for these entities nor are they fiscally dependent on the Township:

Calcutta Volunteer Fire Department Association

Glenmoor Volunteer Fire Department Association

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

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All Township funds are classified as governmental.

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund – The general fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road & Bridge – The road and bridge fund receives tax revenue which is used for public works expenditures.

Police Levy – The police levy fund receives tax revenue which is used to provide police protection to the residents of the township.

Fire Levy – The fire levy fund receives revenue for the fire protection services provided by Calcutta and Glenmor Volunteer Fire Departments.

T.I.F. District – The T.I.F. district fund receives tax revenue for the payment of debt.

FEMA Midland – The FEMA Midland fund received grant money for the repair and construction costs of a portion of Midland Fredericktown Road.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is the Township’s authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township investments were limited to Repurchase Agreements and STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$22,546.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

Note 2 – Summary of Significant Accounting Policies (continued)

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Note 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that a portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, road & bridge fund, policy levy fund and fire levy fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$825 for the general fund and \$9,129 for major special revenue funds.

Note 4 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 4 - Deposits and Investments (continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,228,938 of the Township's bank balance of \$1,328,938 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

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

As of December 31, 2005, the Township had the following investments:

	Carrying Value	<u>Maturity</u>
STAR Ohio	\$475,432.00	1 day
Repurchase Agreement	<u>\$849,148</u>	1 day
Total Portfolio	<u>\$ 381,696.99</u>	

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 4 - Deposits and Investments (continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 - Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003 were levied after October 1, 2004 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$ 16.20 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$ 91,847,480
Agriculture	4,208,640
Commercial/Industrial/Mineral	34,095,760
Public Utility Property	

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Personal	6,156,830
Tangible Personal Property	<u>11,155,560</u>
Total Assessed Value	<u>\$ 147,464,270</u>

Note 6– Risk Management

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

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

The Government 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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

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. APEEP’s Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

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

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6– Risk Management (Continued)

Members may withdraw on each anniversary of the date they joined OTARMA. They must 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 contribution, minus the subsequent year’s premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004.

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA’s related liabilities are due for payment. The Township’s share of these unpaid claims is approximately \$62,940.

Note 7– Defined Benefit Pension Plan

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’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2005.

St. Clair Township
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 - Debt

A summary of the debt transactions for the year ended December 31, 2005, follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
<u>Governmental Activities</u>					
2004 Note – Truck	3.15 %	\$ 43,902	\$ 0	\$ (21,951)	\$ 21,951
2002 State Infrastructure Loan	4.00 %	250,000	0	(0)	250,000
2002 State Infrastructure Loan	4.00 %	1,372,722	0	(73,432)	1,299,290
2002 Note – Administrative Bld	4.25 %	863,709	0	(42,916)	820,793
		<u>\$ 2,530,333</u>	<u>\$ 0</u>	<u>(\$138,299)</u>	<u>\$ 2,392,034</u>

The following is a summary of the Township's future annual debt service requirements:

Year	General Obligation Notes	
	Principal	Interest
2006	\$142,917	\$96,832
2007	126,179	90,863
2008	1,441,141	85,711
2009	50,405	28,700
2010	52,589	26,516
2011 – 2012	590,275	26,151
Totals	<u>\$2,403,506</u>	<u>\$354,773</u>

There is a balloon payment on the mortgage for the construction of McGuffey Drive in 2008. The township will then refinance the \$1,440,035.93 balance. There is also a balloon payment on the mortgage for the purchase, renovation and construction of the new Township Administration Building in 2012. The township will then refinance the \$519,186.10 balance. The last annual payment on the mortgage for the purchase of the 2004 International truck is in 2006. The Township will fund the debt with tax revenues.

Note 9 – Interfund Transfers

During 2005 the following transfers were made:

Transfers from the General Fund to:	
Major Governmental Fund	\$ 21,000.00
Other Governmental Funds	32,185.00
Total Transfers from the General Fund	<u>\$ 53,185.00</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

St. Clair Township
Columbiana County
15442 Pugh Road
Calcutta, Ohio 43920

To the Board Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Clair Township (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 9, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated August 9, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 9, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**ST. CLAIR TOWNSHIP
COLUMBIANA 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
JANUARY 16, 2007**