



**Auditor of State
Betty Montgomery**

ST. CLAIR TOWNSHIP
BUTLER COUNTY

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**Auditor of State
Betty Montgomery**

St. Clair Township
Butler County
2449 Jackson Road
Hamilton, OH 45011

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 a February 2, 2005 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 opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

March 29, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

St. Clair Township
Butler County
2449 Jackson Road
Hamilton, Ohio 45011

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, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments.

We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements.

The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of St. Clair Township, Butler County, Ohio as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 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. 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.



Betty Montgomery
Auditor of State

March 29, 2006

**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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$73,463	\$512,006	\$0	\$585,469
Intergovernmental	268,632	179,878		448,510
Special Assessments		187,180		187,180
Charges for Services		178,293		178,293
Licenses, Permits, and Fees	6,303	55,784		62,087
Earnings on Investments	11,555			11,555
Other Revenue	42,639	61,467		104,106
	<u>402,592</u>	<u>1,174,608</u>	<u>0</u>	<u>1,577,200</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	287,147	402,104		689,251
Public Safety	10,000	13,559		23,559
Public Works	7,456	519,823		527,279
Debt Service:				
Redemption of Principal		81,066	101,851	182,917
Interest and Fiscal Charges		8,687	11,417	20,104
Capital Outlay	7,623	18,414	12,863	38,900
	<u>312,226</u>	<u>1,043,653</u>	<u>126,131</u>	<u>1,482,010</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>90,366</u>	<u>130,955</u>	<u>(126,131)</u>	<u>95,190</u>
Fund Cash Balances, January 1	<u>277,583</u>	<u>641,349</u>	<u>155,484</u>	<u>1,074,416</u>
Fund Cash Balances, December 31	<u>\$367,949</u>	<u>\$772,304</u>	<u>\$29,353</u>	<u>\$1,169,606</u>
Reserve for Encumbrances, December 31	<u>\$16,142</u>	<u>\$8,859</u>	<u>\$0</u>	<u>\$25,001</u>

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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$79,103	\$497,444	\$0	\$0	\$576,547
Intergovernmental	203,488	156,487			359,975
Special Assessments		190,689			190,689
Charges for Services		123,868			123,868
Licenses, Permits, and Fees	6,629	55,795			62,424
Earnings on Investments	7,551	55			7,606
Other Revenue	39,493	32,806			72,299
Total Cash Receipts	<u>336,264</u>	<u>1,057,144</u>	<u>0</u>	<u>0</u>	<u>1,393,408</u>
Cash Disbursements:					
Current:					
General Government	298,386	369,965			668,351
Public Safety		18,832			18,832
Public Works	24,437	476,616			501,053
Health		353			353
Debt Service:					
Redemption of Principal		72,392	2,808	832,527	907,727
Interest and Fiscal Charges	6,011	2,787	323	30,819	39,940
Capital Outlay	13,918	14,252		161,430	189,600
Total Cash Disbursements	<u>342,752</u>	<u>955,197</u>	<u>3,131</u>	<u>1,024,776</u>	<u>2,325,856</u>
Total Receipts Over/(Under) Disbursements	<u>(6,488)</u>	<u>101,947</u>	<u>(3,131)</u>	<u>(1,024,776)</u>	<u>(932,448)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds				852,000	852,000
Transfers-In		153		10,930	11,083
Advances-In	50,094	50,094			100,188
Transfers-Out	(153)	(10,930)			(11,083)
Advances-Out	(50,094)	(50,094)			(100,188)
Total Other Financing Receipts/(Disbursements)	<u>(153)</u>	<u>(10,777)</u>	<u>0</u>	<u>862,930</u>	<u>852,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(6,641)</u>	<u>91,170</u>	<u>(3,131)</u>	<u>(161,846)</u>	<u>(80,448)</u>
Fund Cash Balances, January 1	<u>284,224</u>	<u>550,179</u>	<u>3,131</u>	<u>317,330</u>	<u>1,154,864</u>
Fund Cash Balances, December 31	<u>\$277,583</u>	<u>\$641,349</u>	<u>\$0</u>	<u>\$155,484</u>	<u>\$1,074,416</u>
Reserve for Encumbrances, December 31	<u>\$8,528</u>	<u>\$86,418</u>	<u>\$0</u>	<u>\$0</u>	<u>\$94,946</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, 2004 AND 2003**

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

B. Basis of Accounting

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

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

C. Cash Deposits

The Township invests all available funds in a checking account and certificates of deposit with local commercial banks. The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash deposits 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tax money to pay for collection and disposal of Township residential waste.

3. Debt Service Funds

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Funds:

Road Bond Retirement Fund – This fund is used to pay for the debt incurred for the construction of a maintenance building.

Fire Bond Retirement Fund – This fund is used to pay for the debt incurred for the construction of a fire house and life squad.

4. Capital Project Funds

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

Road Fund - This fund is used to account for the construction of a maintenance building.

Life Squad Fund – This fund is used to account for the purchase of a life squad.

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.

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH DEPOSITS

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

	2004	2003
Demand deposits	\$461,645	\$374,416
Certificates of deposit	707,961	700,000
Total deposits	1,169,606	1,074,416

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$411,316	\$402,592	(\$8,724)
Special Revenue	1,085,053	1,174,607	89,554
Capital Projects	0	0	0
Total	\$1,496,369	\$1,577,199	\$80,830

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$684,962	\$328,368	\$356,594
Special Revenue	1,730,340	1,052,512	677,828
Capital Projects	155,483	126,131	29,352
Total	<u>\$2,570,785</u>	<u>\$1,507,011</u>	<u>\$1,063,774</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$433,333	\$336,264	(\$97,069)
Special Revenue	1,037,709	1,057,297	19,588
Debt Service	13,313	0	(13,313)
Capital Projects	0	862,930	862,930
Total	<u>\$1,484,355</u>	<u>\$2,256,491</u>	<u>\$772,136</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$595,447	\$351,433	\$244,014
Special Revenue	1,462,361	1,052,545	409,816
Debt Service	3,131	3,131	0
Capital Projects	317,330	1,024,776	(707,446)
Total	<u>\$2,378,268</u>	<u>\$2,431,885</u>	<u>(\$53,617)</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fund 4901 by \$6,017 and in Funds 4901, 4902, and 4903 by \$673,943, \$10,551, and \$22,953 for the years ended December 31, 2004 and 2003 respectively. Also contrary to Ohio law, the Township did not encumber all commitments as required.

4. PROPERTY TAX

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

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

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

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Township Building Refunding Bonds	\$451,200	2.90%
Life Squad Equipment Bonds	62,156	2.90%
Total	\$513,356	

The Township refinanced its Township Building Bonds of \$752,000 during 2003. The Township accounted for the refinancing of this bond issue and subsequent payments in the Capital Projects Road Fund.

The Township also obtained new bonds of \$100,000 during 2003 to purchase a new life squad. The Township accounted for the issuance of this bond and subsequent payments in the Capital Projects Life Squad Fund.

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

	Township Refunding Building Bonds	Life Squad Bonds
Year ending December 31:		
2005	\$162,557	\$33,488
2006	159,123	28,669
2007	154,762	
Total	\$476,442	\$62,156

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. 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, 2004.

7. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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 2004 and 2003.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	<u>(13,640,962)</u>	<u>(11,791,300)</u>
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	<u>(753,906)</u>	<u>(750,956)</u>
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. RELATED PARTY TRANSACTIONS

A Township Trustee is associated with two businesses, Couch's Campers Inc. and Al Couch Supermarket, from which the Township acquired various grocery items and maintenance supplies for the Community Center, road crew and Fire Hall during the audit period. The Township paid \$2,183 and \$3,171 to Couch's Campers, Inc. during 2004 and 2003 respectively and to Al Couch Supermarket, \$2,031 and \$2,972 in 2004 and 2003 respectively.

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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
Butler County
2449 Jackson Road
Hamilton, OH 45011

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 years ended December 31, 2004 and 2003, and have issued our report thereon dated March 29, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated March 29, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Township's management dated March 29, 2006, we reported another matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

March 29, 2006

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

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 encumbrance.

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) maybe paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified for 25% and 6% of the Township's expenditures tested during 2004 and 2003 respectively, nor did the Township use the aforementioned exceptions. Also, it was noted that the Township had several unencumbered commitments at year end which understated the Township's outstanding encumbrances on the financial statements. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending the Township's funds.

**FINDING NUMBER 2004-001
 (Continued)**

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

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

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), prohibits an entity from making expenditures unless it has been lawfully appropriated. At December 31, 2003, the Township's disbursements exceeded appropriations in the following funds:

<u>CY 2003</u>	<u>Appropriation Amount</u>	<u>Disbursement Amount</u>	<u>Variance</u>
Fund 4901 – Capital Projects Road	\$234,092	\$908,035	\$ (673,943)
Fund 4902 – Capital Projects Fire	\$ 378	\$ 10,929	\$ (10,551)
Fund 4903 – Capital Projects Life Squad	\$ 82,859	\$ 105,812	\$ (22,953)

The Township failed to appropriate funds for the payoff of the building bonds and payment for a new fire truck. Failure to appropriate funds may result in inaccurate financial reporting and negative fund balances. The Township should appropriate all expenditures.

FINDING NUMBER 2004-003

Reportable Condition

Debt payments were posted to an improper fund (Road and Bridge) and an improper line item in the General Fund (General Government) in 2003. The Township Building Refunding Bonds in the amount of \$752,000 issued during 2003 were not recorded on the Township's financial records. A new bond issue in the amount of \$100,000, as well as the expenditure related to the bond, was not recorded on the Township's financial records. Failure to properly post debt activity may result in misleading financial statements and incorrect fund balances. Per Ohio Revised Code Section 5705.09, each subdivision is required to establish a bond retirement fund into which it must pay sufficient revenues to retire serial bonds, notes and certificates of indebtedness at maturity. All debt should be paid from a Debt Service Fund and posted to the debt service line item

FINDING NUMBER 2004-003
(Continued)

Any bond payoff or rollover, as well as new debt incurred, should be recognized as payments of debt principal and proceeds of debt for the gross amount received. Any payments made on behalf of the Township needs to be recorded as expenditures. We recommend that the Township properly post debt activity in a Debt Service Fund and line items.

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ST. CLAIR TOWNSHIP
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	SAS 70 Report was not obtained for the EMS billing company.	Yes	Finding No Longer Valid



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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
APRIL 13, 2006**