



Mary Taylor, CPA  
Auditor of State



**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

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# Mary Taylor, CPA

Auditor of State

St. Clair Township  
Butler County  
2449 Jackson Road  
Hamilton, Ohio 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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 12, 2008

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# Mary Taylor, CPA

## Auditor of State

### 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, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

St. Clair Township  
Butler County  
Independent Accountants' Report  
Page 2

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005.

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, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

March 12, 2008

**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, 2006**

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Local Taxes	\$82,469	\$599,655	\$0	\$682,124
Intergovernmental	216,544	195,347	0	411,891
Special Assessments	0	187,712	0	187,712
Charges for Services	0	192,123	0	192,123
Licenses, Permits, and Fees	37,603	54,976	0	92,579
Earnings on Investments	34,224	4,787	0	39,011
Other Revenue	48,907	54,207	0	103,114
Total Cash Receipts	419,747	1,288,807	0	1,708,554
<b>Cash Disbursements:</b>				
Current:				
General Government	298,839	323,642	0	622,481
Public Safety	8,339	34,584	0	42,923
Public Works	17,056	485,096	0	502,152
Health	750	893	0	1,643
Debt Service:				
Redemption of Principal	72,079	140,775	2,820	215,674
Interest and Fiscal Charges	4,472	2,314	381	7,167
Capital Outlay	60,132	82,028	0	142,160
Total Cash Disbursements	461,667	1,069,332	3,201	1,534,200
Total Receipts Over/(Under) Disbursements	(41,920)	219,475	(3,201)	174,354
<b>Other Financing Receipts and (Disbursements):</b>				
Sale of Fixed Assets	225	35,067	0	35,292
Transfers-In		5,000	115,000	120,000
Advances-In	5,000	5,000	0	10,000
Transfers-Out	(5,000)	(115,000)	0	(120,000)
Advances-Out	(5,000)	(5,000)	0	(10,000)
Total Other Financing Receipts/(Disbursements)	(4,775)	(74,933)	115,000	35,292
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(46,695)	144,542	111,799	209,646
Fund Cash Balances, January 1	155,929	929,084	3,201	1,088,214
<b>Fund Cash Balances, December 31</b>	<b>\$109,234</b>	<b>\$1,073,626</b>	<b>\$115,000</b>	<b>\$1,297,860</b>
Reserve for Encumbrances, December 31	\$795	\$3,016	\$0	\$3,811

*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, 2005**

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Local Taxes	\$69,768	\$504,958	\$0	\$574,726
Intergovernmental	210,814	158,302	0	369,116
Special Assessments	0	187,467	0	187,467
Charges for Services	0	193,267	0	193,267
Licenses, Permits, and Fees	38,995	47,183	0	86,178
Earnings on Investments	11,333	2,519	0	13,852
Other Revenue	11,198	42,746	0	53,944
Total Cash Receipts	<u>342,108</u>	<u>1,136,442</u>	<u>0</u>	<u>1,478,550</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	299,015	351,930	0	650,945
Public Safety	2,648	26,746	0	29,394
Public Works	1,499	486,015	0	487,514
Health	5,000		0	5,000
Debt Service:				
Redemption of Principal	238,625	83,489	25,224	347,338
Interest and Fiscal Charges	7,341	6,974	928	15,243
Capital Outlay	49,850	24,508	0	74,358
Total Cash Disbursements	<u>603,978</u>	<u>979,662</u>	<u>26,152</u>	<u>1,609,792</u>
Total Receipts Over/(Under) Disbursements	<u>(261,870)</u>	<u>156,780</u>	<u>(26,152)</u>	<u>(131,242)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Loan Proceeds	49,850	0	0	49,850
Advances-In	83,608	83,608	0	167,216
Advances-Out	(83,608)	(83,608)	0	(167,216)
Total Other Financing Receipts/(Disbursements)	<u>49,850</u>	<u>0</u>	<u>0</u>	<u>49,850</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(212,020)	156,780	(26,152)	(81,392)
Fund Cash Balances, January 1	<u>367,949</u>	<u>772,304</u>	<u>29,353</u>	<u>1,169,606</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$155,929</u></b>	<b><u>\$929,084</u></b>	<b><u>\$3,201</u></b>	<b><u>\$1,088,214</u></b>
Reserve for Encumbrances, December 31	<u>\$2,228</u>	<u>\$32,500</u>	<u>\$0</u>	<u>\$34,728</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, 2006 AND 2005**

**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. Accounting Basis**

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

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

**C. Cash and Deposits**

The Township values certificates of deposit at cost.

**D. Fund Accounting**

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

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

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

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Capital Project Funds**

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

Life Squad Fund – This fund is used to pay 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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2006 and 2005 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.

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash and Deposits**

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

	2006	2005
Demand deposits - checking	\$297,119	\$371,110
Demand deposits - savings	\$255,602	\$0
Certificates of deposit	745,139	717,104
Total deposits	<u>\$1,297,860</u>	<u>\$1,088,214</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool. Although the securities serving as collateral were held by the pledging financial institution's trust department and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$433,971	\$419,972	(\$13,999)
Special Revenue	1,257,417	1,328,874	71,457
Capital Projects	0	115,000	115,000
Total	<u>\$1,691,388</u>	<u>\$1,863,846</u>	<u>\$172,458</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$456,509	\$467,462	(\$10,953)
Special Revenue	1,524,796	1,187,348	337,448
Capital Projects	118,201	3,201	115,000
Total	<u>\$2,099,506</u>	<u>\$1,658,011</u>	<u>\$441,495</u>

**2005 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$398,470	\$391,958	(\$6,512)
Special Revenue	1,157,831	1,136,442	(21,389)
Capital Projects	0	0	0
Total	<u>\$1,556,301</u>	<u>\$1,528,400</u>	<u>(\$27,901)</u>

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

Fund Type	2005 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$685,665	\$689,814	(\$4,149)
Special Revenue	1,623,921	1,095,770	528,151
Capital Projects	26,152	26,152	0
Total	<u>\$2,335,738</u>	<u>\$1,811,736</u>	<u>\$524,002</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$10,953 for the year ended December 31, 2006, and in the General Fund, Garbage & Waste Disposal Fund, and FEMA Fund by \$4,149, \$29,306 and \$12,757 respectively for the year ended December 31, 2005.

**4. Property Tax**

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

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

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

**5. Debt**

All debt was repaid during fiscal years 2006 and 2005.

**6. Retirement Systems**

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management**

During fiscal year ended December 31, 2005, the Township had property and casualty insurance through the Ohio Township Association Risk Management Authority. For fiscal year ended December 31, 2006, the Township had property insurance through the Ohio Government Risk Management Plan.

**Ohio Township Association Risk Management Authority**

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 reinsurance 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**

Beginning in 2005, Travelers reinsurance specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsurance 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  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

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:

<u>Casualty Coverage</u>	<u>2005</u>
Assets	\$30,485,638
Liabilities	(12,344,576)
Retained earnings	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2005</u>
Assets	\$9,177,796
Liabilities	(1,406,031)
Retained earnings	<u>\$7,771,765</u>

At December 31, 2005, casualty coverage liabilities noted above include approximately \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$59,496. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Township Contributions to OTARMA</u>	
2003	\$ 26,074
2004	\$ 28,927
2005	\$ 29,748

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

After completing one year of membership, 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 contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**Ohio Government Risk Management Plan**

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 (the latest information available):

	<b>2005</b>
Assets	\$8,219,430
Liabilities	(2,748,639)
Members' Equity	\$5,470,791

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**8. Related Party Transactions**

During the audit period the Township acquired various items from Al Couch Supermarket in the amount of \$1,382 in 2005 and \$1,359 in 2006. Gary Couch is a Township Trustee and is the owner of this store. In addition, a Township EMS/Life Squad volunteer owns a photography/website design company. The Township paid this individual \$1,205 in 2005 for domain registrations and webpage development.

In 2005 the Township acquired various items from Couch's Campers Inc. (named changed to Jeff Couch's Campers LLC) in the amount of \$372. Gary Couch is a Township Trustee and is a relative to the owner of this company. Gary Couch approved these expenditures in the minutes.



# Mary Taylor, CPA

## Auditor of State

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

St. Clair Township  
Butler County  
2449 Jackson Street  
Hamilton, Ohio 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 year ended December 31, 2006 and 2005, and have issued our report thereon dated [REPORT DATE] wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Township 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 St. Clair Township. 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

St. Clair Township  
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Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-003 and 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2006-003 and 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated March 12, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 through 2006-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 12, 2008

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



**Mary Taylor, CPA**  
Auditor of State

March 12, 2008

**ST. CLAIR TOWNSHIP  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

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

**FINDING NUMBER 2006-001**

**Finding for Recovery-Repaid Under Audit**

The Township paid \$772.33 for members of the fire department and their spouses to attend conferences in Indianapolis, Indiana and Denver, Colorado. The Township did not enact an ordinance or resolution which demonstrates what public purpose such expenditures serve, nor did the Township have a policy permitting these types of expenditures. The Township did not have the authority to pay for spouses and there was no evidence of reimbursement to the Township for the following expenditures:

Check Number(s)	Date	Vendor	Description	Amount
5462	2/25/05	Aurgroup Financial Credit Union	\$10 payment for Terry White's (Fire Chief) spouse to attend convention exhibits in Indianapolis	\$10.00
5673	2/25/05	Aurgroup Financial Credit Union	Five payments of \$15 for Fire Fighters' spouses to attend convention exhibits in Indianapolis (included spouses of Kenny Cheek, Shandon Hall, Mike Lintz, Mike Price, and David Scott)	75.00
5922	6/17/05	Mike Price	Spouse's meals at Indianapolis Fire Convention: \$27.62 at Cheeseburger in Paradise (detailed receipt not included); \$9.18 at Joe's Crab Shack	36.80
5924	6/17/05	Terry White	Spouse's meals at Indianapolis Fire Convention: \$11.63 at Texas Roadhouse; \$9.54 at Cheeseburger in Paradise; \$9.72 at Johnny Rockets; \$2.99 at Burger King; \$16.03 at Joe's Crab Shack. Also the Fire Chief was reimbursed an extra \$10.40 on one meal due to a calculation error.	60.31
5919	6/17/05	Shandon Hall	Spouse's meals at Indianapolis Fire Convention and alcohol at a meal: \$14.52 at Joe's Crab Shack; \$13.05 at Cheeseburger in Paradise (includes \$8.25 in alcohol purchases)	27.57
5921	6/17/05	Mike Lintz	Spouse's meals at Indianapolis Fire Convention: \$18.15 at Joe's Crab Shack; \$9.53 at Cheeseburger in Paradise; \$7.99 at Steak 'n Shake	35.67
5923	6/17/05	Kenny Cheek	Spouse's meals at Indianapolis Fire Convention: \$9.74 at Cheeseburger in Paradise; \$8.65 at Johnny Rockets; \$9.60 at Frisch's; \$10.77 at Joe's Crab Shack	38.76

**FINDING NUMBER 2006-001**  
**(Continued)**

5920	6/17/05	David Scott	Spouse's meals at Indianapolis Fire Convention: \$10.77 at Joe's Crab Shack; \$10.38 at Cheeseburger in Paradise; \$8.96 at Steak 'n Shake	30.11
6295	9/9/05	Terry White	Spouse's meals at Denver Conference: \$12.10 at Buca di Beppo; \$20.78 at Willie G's Restaurant; \$5.17 at Corner Bakery; \$3.22 at Corner Bakery; \$8.08 at Johnny Rockets; \$13.26 at ESPN Zone; \$2.15 at Einstein Bros Bagels; \$9.07 at Johnny Rockets; \$9.94 at Holiday Inn Restaurant; \$9.94 at Maggiano's	93.71
6342	9/23/05	Aurgroup Financial Credit Union	Airfare and conference fee for Terry White's (Fire Chief) spouse at fire conference in Denver: \$259.40 for airfare; \$50 for conference fee; \$5 to have airplane ticket mailed	314.40
7216	3/24/06	Aurgroup Financial Credit Union	Five payments of \$10 for Fire Fighters' spouses to attend convention exhibits in Indianapolis (included spouses of Terry White, Lyndale Justice, Dustin Pearson, David Scott, and Don Scott)	50.00

*Note: When detailed receipts were not included, ½ of the food bill amount was assumed to belong to the spouse's meal. When detailed receipts were included, the lowest price meal and drink were assumed to belong to the spouse.*

*State ex rel. McClure v. Hagerman* (1951) 155 Ohio St. 320 , provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, 1982 Op. Att'y Gen. No. 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005. Expenditure of Public Funds/Proper "Public Purpose", states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Terry White, Fire Chief, in the amount of \$488.42, Mike Price, Firefighter, in the amount of \$51.80, Shandon Hall, Firefighter, in the amount of \$42.57, Mike Lintz, Firefighter, in the amount of \$50.67, Kenny Cheek, Firefighter, in the amount of \$53.76, David Scott, Firefighter, in the amount of \$55.11, Lyndale Justice, Firefighter, in the amount of \$10, Dustin Pearson, Firefighter, in the amount of \$10, Don Scott, Firefighter in the amount of \$10 and in favor of the St. Clair Township's Fire Fund. Each individual is primarily liable for the amount he received in overpayment.

**FINDING NUMBER 2006-001**  
**(Continued)**

On March 11, 2008, \$772.33 was repaid to the Township Fire Fund.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

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

<b><u>FY 2006</u></b>	<b><u>Appropriation Amount</u></b>	<b><u>Disbursement Amount</u></b>	<b><u>Variance</u></b>
General Fund	\$456,509	\$467,462	\$(10,953)

<b><u>FY 2005</u></b>	<b><u>Appropriation Amount</u></b>	<b><u>Disbursement Amount</u></b>	<b><u>Variance</u></b>
General Fund	\$685,665	\$689,814	\$(4,149)
Fund 2071 – Waste & Disposal Fund	\$196,121	\$225,427	\$(29,306)
Fund 2901 – FEMA Fund	\$ 0	\$12,757	\$(12,757)

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

**FINDING NUMBER 2006-003**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and recorded. Debt payments were posted to improper funds during 2005 and 2006. Debt payments (principal and interest), of \$61,551 in 2006 and \$95,567 in 2005, were posted to the Road & Bridge and Cemetery Funds as opposed to the General Fund, Debt Service Fund, or the Fund that received the initial proceeds of the bonds. Also a new loan and the capital expenditure related to the loan were not recorded in the Township's financial records in the amount of \$49,850 for 2005.

Failure to properly record and post debt activity may result in misleading and inaccurate financial statements and incorrect or negative fund balances. All debt should be paid from the proper fund (the fund that received the debt proceeds or has statutory authority to pay the related debt) and be classified appropriately as debt service principal or interest payment on the Township's accounting records. Any new debt incurred should be recognized as 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 to the correct funds.

**FINDING NUMBER 2006-004**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly classified and recorded on the books and in the annual report to ensure that accounting records are accurate as to the type of revenue that is received, the type of disbursement made, or the fund that disbursements or transfers are made from.

The Township lacked management oversight in the proper recording of intergovernmental revenue, debt transactions, transfers, and advances of the Township. This lack of oversight is illustrated by the following:

- A payment, in 2006, in the General Fund (Fund 1000), for equipment was posted to a transfer out line item instead of capital outlay for \$44,000.
- In 2006, the Township failed to post the Intergovernmental Revenue and related expenditure to capital outlay for a CDBG Grant that was received from Butler County for \$41,000. The payment was made directly to the vendor by Butler County.
- In 2006, the Township received a FEMA grant. The revenue was correctly received into a Special Revenue Fund (Fund 2902) but the related FEMA expenditure for \$42,773 was posted to the General Fund (Fund 1000).
- The Township received \$8,637 in interest from the Ohio Township Association Risk Management Authority in 2006. This receipt was incorrectly posted as interest revenue and should have been posted as a miscellaneous receipt.
- Franchise fees from Time Warner in the amount of \$34,153 for 2006 and \$32,749 for 2005 were posted as miscellaneous revenue and should have been posted to licenses, permits, and fees.
- In 2005, the Township received a FEMA grant. The reimbursement of the expenditures was not properly recorded. The Road and Bridge Fund should have been reimbursed \$9,809, the Motor Vehicle Fund \$2,457, and the General Fund \$491 for FEMA related expenditures these funds made.

**FINDING NUMBER 2006-004**  
**(Continued)**

- A Bureau of Workers Compensation refund in 2005 in the amount of \$9,650 was incorrectly posted as intergovernmental revenue and should have been posted as miscellaneous revenue. It should also have been split between the following funds: Road and Bridge for \$4,246, Fire Fund for \$868, and General Fund for \$2,219.
- The Township posted \$8,341 in permissive tax in 2005 to taxes instead of intergovernmental.
- The Township voided two advances, in 2005, totaling \$83,608, from the General Fund to the Garbage and Waste Disposal Fund (Fund 2071), instead of repaying the advances.
- Special Assessments were posted to the tax line item, in 2005, totaling \$177,676.

Audit adjustments and appropriate reclassifications were made to the accompanying financial statements. Also fund adjustments have been posted to the Township's financial records for the above items.

The lack of proper management oversight could result in material misstatement to the financial records and statements of the Township. To improve recordkeeping and accountability of intergovernmental revenues, transfers and advances, and disbursements:

We recommend that the Township use due care in the posting of all transactions to the Township's ledgers.

**Officials' Response:**

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

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ST. CLAIR TOWNSHIP  
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2004-001	ORC 5705.41(D) (1) The Township did not encumber all commitments as required by ORC.	No	Partially Corrected – Reported in the Management Letter
2004-002	ORC 5705.41(B) The Township had expenditures exceeding appropriations.	No	Not Corrected – Repeated as Finding 2006-002.
2004-003	Debt payments posted to special revenue funds, new debt not recorded, and capital purchases not recorded in ledgers.	No	Not Corrected – Repeated with Modifications as Finding 2006-004





# Mary Taylor, CPA

Auditor of State

**ST. CLAIR TOWNSHIP**

**BUTLER COUNTY**

#### **CLERK'S CERTIFICATION**

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

A handwritten signature in cursive script that reads "Susan Babbitt".

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 8, 2008**