



Dave Yost • Auditor of State

ST. CLAIR TOWNSHIP
BUTLER COUNTY

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 14, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of St. Clair Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2011. 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. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial statements present receipts and disbursements by fund and fund type totals. Ohio Administrative Code 117-2-02(A) requires governments to classify receipt and disbursement transactions. The Township also failed to record encumbrances for 2011; as a result we were unable to determine the proper classification of restricted, committed, or assigned fund balances at December 31, 2011.

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 Township to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 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, 2011, or its changes in financial position for the year then ended.

Also, in our opinion, except for the effects of the matters discussed in paragraph three above, regarding the omission of receipt and disbursement classifications and the amount of the fund balances that should be classified as restricted, committed, or assigned for encumbrances, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of St. Clair Township, Butler County, as of December 31, 2011, and its individual fund and combined fund type unclassified cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

January 14, 2013

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$64,055	\$385,426	\$449,481
Intergovernmental	302,653	300,623	603,276
Special Assessments		223,090	223,090
Interest Income	1,267	2,986	4,253
Unclassified	113,876	317,422	431,298
<i>Total Cash Receipts</i>	<u>481,851</u>	<u>1,229,547</u>	<u>1,711,398</u>
Cash Disbursements			
Unclassified	475,697	1,362,960	1,838,657
Debt Service:			
Principal Retirement		51,758	51,758
Interest and Fiscal Charges		6,294	6,294
<i>Total Cash Disbursements</i>	<u>475,697</u>	<u>1,421,012</u>	<u>1,896,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,154</u>	<u>(191,465)</u>	<u>(185,311)</u>
Other Financing Receipts (Disbursements)			
Sale of Notes		100,000	100,000
Transfers In		17,000	17,000
Transfers Out	(17,000)		(17,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(17,000)</u>	<u>117,000</u>	<u>100,000</u>
<i>Net Change in Fund Cash Balances</i>	<u>(10,846)</u>	<u>(74,465)</u>	<u>(85,311)</u>
<i>Fund Cash Balances, January 1</i>	<u>97,140</u>	<u>914,408</u>	<u>1,011,548</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	778,612	778,612
Committed	0	61,331	61,331
Assigned	0	0	0
Unassigned (Deficit)	86,294	0	86,294
<i>Fund Cash Balances, December 31</i>	<u>\$86,294</u>	<u>\$839,943</u>	<u>\$926,237</u>

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

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**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of St. Clair Township, Butler County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, waste collections, fire protection and emergency medical services.

The Township participates in the Ohio Government's Plan Risk Management, Inc public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

The Village did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. The Township values certificates of deposit at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

ST. CLAIR TOWNSHIP
BUTLER COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011
(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 special assessment money to pay for collection and disposal of Township residential waste.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2011 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

ST. CLAIR TOWNSHIP
BUTLER COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	2011
Demand deposits	\$275,390
Certificates of deposit	650,847
Total deposits	<u>\$926,237</u>

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

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

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

3. Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$282,371	\$481,851	\$199,480
Special Revenue	1,179,475	1,329,547	150,072
Total	\$1,461,846	\$1,811,398	\$349,552

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$360,635	\$475,697	(\$115,062)
Special Revenue	1,872,163	1,421,012	451,151
Total	\$2,232,798	\$1,896,709	\$336,089

A \$17,000 transfer from the General fund to the Life Squad fund and Special Assessment fund, Special Revenue funds, is not included in the actual revenue/budgetary expenditure columns in this note because the transfer was not approved and posted until 2012. The Township reconstructed the 2011 accounting records in 2012 and identified negative fund balances in the Life Squad fund and Special Assessment fund as a result of the reconstruction. The transfer addressed the negative fund balance, but was not considered in the 2011 budget, and therefore it has been excluded from the note.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the following funds for the year ended December 31, 2011: General Fund by \$115,062; Motor Vehicle License Tax Fund by \$339; Cemetery Fund by \$182; Life Squad Fund by \$115,403; and, Special Assessments Fund by \$858.

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Township.

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

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

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

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

5. Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Overpeck Building Loan	\$90,296	4.75%
Vehicle Loan	61,742	2.20%
Total	<u>\$152,038</u>	

In 2007, the Township obtained a commercial loan to finance the purchase of a building for the Township. In 2011, the Township obtained a commercial loan to finance the purchase of an ambulance for the Township.

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

Year ending December 31:	<u>Commerical Loans</u>
2012	\$52,594
2013	52,594
2014	20,991
2015	18,118
2016	18,118
2017-2021	18,118
Total	<u>\$180,533</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has not paid all contributions required through December 31, 2011.

7. Risk Management

Risk Pool Membership

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

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

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

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

7. Risk Management (Continued)

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

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 40% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 782 members as of December 31, 2011. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 74 members as of December 31, 2011. The Township does not participates in this coverage.

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

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

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011.

	2011	
	OPRM	OPHC
Assets	\$12,501,280	\$1,459,791
Liabilities	5,328,761	1,283,527
Members' Equity	\$7,172,519	\$176,264

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

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

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

8. Compliance

At December 31, 2011 the Township owed the Internal Revenue Service approximately \$43,221 for federal employment taxes not remitted by the required date.

The Township did not maintain the required journals and ledgers in 2011

Expenditures exceeded appropriations in 2011 in the General Fund, Motor Vehicle License Tax Fund, Cemetery Fund, Life Squad Fund and Special Assessments Fund.

9. Related Party Transactions

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

- In 2011 the Township acquired various items from Al Couch Supermarket in the amount of \$2,069. Gary Couch is a Township Trustee and is the owner of this store.
- In 2011 the Township acquired various items from Jeff Couch's Campers LLC in the amount of \$219. Gary Couch is the brother of the owner of this company.

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Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of St. Clair Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2011, and have issued our report thereon dated January 14, 2013 wherein we noted the Township followed accounting principles other than those generally accepted in the United States of America, and that the Township did not classify receipts and disbursements, or record encumbrances for 2011 and as a result we were unable to determine the proper classification of restricted, committed, or assigned fund balances at December 31, 2011. We also noted the Township adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001, 2011-002 and 2011-006 described in the accompanying schedule of findings to be 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as findings 2001-001 through 2011-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated January 14, 2013.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

January 14, 2013

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011**

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

FINDING NUMBER 2011-001

Noncompliance/Material Weakness

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

1. "Then and Now" Certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certifications for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

The Township did not properly certify the availability of funds for purchase commitments for all expenditures tested for 2011 and none of the exceptions above applied. In addition, the Township was unable to provide documentation for the amount of the fund balances that should be classified as restricted, committed, or assigned for encumbrances outstanding at December 31, 2011. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2011-001
(Continued)**

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

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response:

The issues noted in the finding occurred during the term of the former fiscal officer. The township has moved forward in 2012 with the help of two visiting clerks, to reconstruct and correct error, and we have made significant progress. Presently we are current on all withholding, Federal, State, retirement, and local; however we may still have corrections for past problems with Federal reporting and remittances. We are current on all bills and charges. We are using and inputting into the Uniform Accounting Network (UAN) system the necessary information for purchase orders (P.O.) including "Then and Now" and Blanket Certificates. We are current on our budget, financial statements, bank reconciliation, and inputting information into the UAN system. The trustees are receiving warrant sheets and fund status information at each meeting. I am confident as we proceed forward in 2013 that we will continue to make improvement.

FINDING NUMBER 2011-002

Noncompliance/Material Weakness

Ohio Admin. Code Section 117-2-02(A) requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements as required by Ohio Admin. Code Section 117-2-03. Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.

**FINDING NUMBER 2011-002
(Continued)**

The Township is on the Uniform Accounting Network (UAN) G/L system, but did not maintain the system for 2011. All receipts and disbursements were not entered on the system; budgetary data was not input on the system; and the system was not reconciled to the Township's bank statement balances on a monthly basis. During 2012, the Township prepared a 2011 records reconstruction in Microsoft Excel with unclassified receipts and expenditures which included a cash journal and year end bank reconciliation. These conditions exhibit a lack of control over the recording and reporting of the Township's financial activity. Failure to provide and maintain the accounting records and complete timely bank to book reconciliations could lead to funds being misappropriated, deficit fund balances, and fraud within the Township.

We recommend the Township input all financial activity to the UAN G/L system, and reconcile the cash journal to the bank, the receipt ledger, and the appropriation ledger on a monthly basis. We also recommend that the Township incorporate estimated receipts and appropriations within the ledgers and monitor these amounts on a regular basis. Implementation of these procedures will add a substantial measure of control to the receipt and expenditure process, as well as provide assurance that the activity is properly handled and fairly presented on the Township's ledgers and financial reports.

Officials' Response:

The issues noted in the finding occurred during the term of the former fiscal officer. The township has moved forward in 2012 with the help of two visiting clerks, to reconstruct and correct error, and we have made significant progress. Presently we are current on all withholding, Federal, State, retirement, and local; however we may still have corrections for past problems with Federal reporting and remittances. We are current on all bills and charges. We are using and inputting into the Uniform Accounting Network (UAN) system the necessary information for purchase orders (P.O.) including "Then and Now" and Blanket Certificates. We are current on our budget, financial statements, bank reconciliation, and inputting information into the UAN system. The trustees are receiving warrant sheets and fund status information at each meeting. I am confident as we proceed forward in 2013 that we will continue to make improvement.

FINDING NUMBER 2011-003

Finding for Recovery

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

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

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

During the 2011 audit review of expenditures for St. Clair Township we noted 19 credit card charges that were paid as expenditures for individual expenses and equipment. However, there were no detailed invoices or receipts provided to support these expenditures as follows:

**FINDING NUMBER 2011-003
 (Continued)**

Check Number	Check Date	Credit Card Transaction Date	Vendor	Amount	Fund Number	Card Holder
16150	4/29/11	3/3/11	AOL Service	\$25.90	1000	Rhonda Gentry
16150	4/29/11	3/20/11	Kroger	132.00	1000	Rhonda Gentry
16150	4/29/11	4/3/11	AOL Service	25.90	1000	Rhonda Gentry
16150	4/29/11	4/16/11	Ultimantispyware.com	69.90	1000	Rhonda Gentry
EFT	9/29/11	8/31/11	US Nails & Spa	55.00	1000	Rhonda Gentry
17083	12/12/11	9/28/11	AOL Service	25.90	1000	Rhonda Gentry
17083	12/12/11	10/13/11	AOL Service	25.90	1000	Rhonda Gentry
16150	4/29/11	2/25/11	Bass Pro Shops	36.20	2111	Terry White
16150	4/29/11	2/27/11	McDonalds	161.28	2111	Terry White
16150	4/29/11	3/24/11	Fire Department Instructors Conference	15.00	2111	Terry White
16150	4/29/11	4/6/11	Bass Pro Shops	36.20	2111	Terry White
16150	4/29/11	4/7/11	Auto Zone	57.78	2111	Terry White
16150	4/29/11	4/11/11	Staples	34.82	2111	Terry White
17083	12/12/11	9/21/11	Lowes	94.55	2111	Terry White
17083	12/12/11	9/22/11	Thorntons	63.50	2111	Terry White
16150	4/29/11	2/16/11	U-Haul	24.59	2031	Kevin Brandenburg
16150	4/29/11	4/6/11	Menards	88.15	2031	Kevin Brandenburg
17083	12/12/11	10/4/11	Dicks	55.22	2031	Kevin Brandenburg
17083	12/12/11	11/9/11	U-Haul	9.67	2031	Kevin Brandenburg
			Total	\$1,072.58		

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

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Rhonda Gentry in the amount of \$360.50; Terry White in the amount of \$534.45; and Kevin Brandenburg in the amount of \$177.63 and in favor of the St. Clair Township General Fund, Fire District Fund, Road and Bridge Fund, and Life Squad Fund, respectively.

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

**FINDING NUMBER 2011-003
(Continued)**

Therefore, because the Fiscal Officer Rhonda Gentry signed or authorized the payments, she is jointly and severally liable in the amount of \$1,072.58; and in favor of the St. Clair Township General Fund in the amount of \$360.50; the Fire District Fund in the amount of \$534.45; and the Road and Bridge Fund in the amount of \$177.63.

Officials' Response:

The issues noted in the finding occurred during the term of the former fiscal officer. We have been diligent to provide the necessary paper work; however we were unable to locate all of the receipts that had been submitted to the former fiscal officer and were unable to acquire them from the vendors.

FINDING NUMBER 2011-004

Noncompliance

Ohio Rev. Code Section 5705.41(B), prohibits a subdivision from expending money unless it has been lawfully appropriated.

Budgetary expenditures exceeded appropriations for the year ended December 31, 2011 as follows:

- General Fund (Fund 1000) by \$115,062;
- Motor Vehicle License Tax Fund (Fund 2011) by \$339;
- Cemetery Fund (Fund 2041) by \$182;
- Life Squad Fund (Fund 2191) by \$115,403;
- Special Assessments Fund (Fund 2401) by \$858.

As further discussed in the Auditor of State Bulletin 2000-008, the Fiscal Officer shall record appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Revised Code Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

Failure to properly appropriate funds before they are spent could result in excessive spending leading to deficit fund balances. We recommend that the Township monitor expenditures and appropriations and make modifications as necessary.

Officials' Response:

The issues noted in the finding occurred during the term of the former fiscal officer. The township has moved forward in 2012 with the help of two visiting clerks, to reconstruct and correct error, and we have made significant progress. Presently we are current on all withholding, Federal, State, retirement, and local; however we may still have corrections for past problems with Federal reporting and remittances. We are current on all bills and charges. We are using and inputting into the Uniform Accounting Network (UAN) system the necessary information for purchase orders (P.O.) including "Then and Now" and Blanket Certificates. We are current on our budget, financial statements, bank reconciliation, and inputting information into the UAN system. The trustees are receiving warrant sheets and fund status information at each meeting. I am confident as we proceed forward in 2013 that we will continue to make improvement.

FINDING NUMBER 2011-005

Noncompliance

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

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

Employers who withhold income taxes from wages or who must pay social security or Medicare tax, use Form 941 to report those taxes. The Township failed to file the required Form 941 forms for 2011 until September 2012. At December 31, 2011, the Township owed the Internal Revenue Service (IRS) approximately \$43,221 in taxes due and as noted in Finding 2011-006 the Township incurred \$25,417 in penalties and interest as a result of the late filings and underpayment of taxes due.

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

Officials' Response:

The issues noted in the finding occurred during the term of the former fiscal officer. The township has moved forward in 2012 with the help of two visiting clerks, to reconstruct and correct error, and we have made significant progress. Presently we are current on all withholding, Federal, State, retirement, and local; however we may still have corrections for past problems with Federal reporting and remittances. We are current on all bills and charges. We are using and inputting into the Uniform Accounting Network (UAN) system the necessary information for purchase orders (P.O.) including "Then and Now" and Blanket Certificates. We are current on our budget, financial statements, bank reconciliation, and inputting information into the UAN system. The trustees are receiving warrant sheets and fund status information at each meeting. I am confident as we proceed forward in 2013 that we will continue to make improvement.

FINDING NUMBER 2011-006

Material Weakness

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

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

- Monthly reports were not presented to the Trustees reflecting the Township's monthly activity including the detail for the revenues/receipts collected, the disbursements and the purpose of the disbursements, and the assets and liabilities of the Board.

**FINDING NUMBER 2011-006
(Continued)**

- The former fiscal officer did not prepare monthly bank reconciliations, and the UAN G/L system reconciliations had other adjusting factors for charges not posted to the system or postings that differed from the amounts that cleared the bank. Checks were not always issued in sequence and were frequently backdated.
- The formal fiscal officer did not properly track and post employee leave information to the UAN G/L system. The current fiscal officer had to prepare a 2011 leave balance reconstruction for audit.
- Federal income taxes were remitted late and quarterly Form 941 returns were filed late resulting in IRS penalties and interest of \$25,417.
- Debt proceeds and related capital expenditures from a \$100,000 loan were not recorded. Additionally, late fees totaling \$862 were paid on the new loan.
- Debt payments totaling \$18,118 were recorded to the Gasoline Tax Fund rather than the Township Road and Bridge Fund.
- Vendors were not paid in a timely fashion resulting in late fees totaling \$215.
- Instances were noted where checks were not always issued sequentially, were backdated, and were not recorded to the accounting system.
- Authorized employee pay rates were not documented in personnel files, and percentage increases rather than specific rates were approved by the Trustees in the minutes. The Township was able to provide documentation of hiring rates and subsequent percentage increases to corroborate the current rates.
- During the reconstruction of records, year end transfers from the General Fund were necessary to prevent deficit fund balances in Special Revenue funds. These transfers were retroactively approved by the Board of Trustees in 2012.

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

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

**FINDING NUMBER 2011-006
(Continued)**

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

Officials' Response:

The issues noted in the finding occurred during the term of the former fiscal officer. The township has moved forward in 2012 with the help of two visiting clerks, to reconstruct and correct error, and we have made significant progress. Presently we are current on all withholding, Federal, State, retirement, and local; however we may still have corrections for past problems with Federal reporting and remittances. We are current on all bills and charges. We are using and inputting into the Uniform Accounting Network (UAN) system the necessary information for purchase orders (P.O.) including "Then and Now" and Blanket Certificates. We are current on our budget, financial statements, bank reconciliation, and inputting information into the UAN system. The trustees are receiving warrant sheets and fund status information at each meeting. I am confident as we proceed forward in 2013 that we will continue to make improvement.

**ST. CLAIR TOWNSHIP
BUTLER COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 5705.41(D) Properly encumbering funds	No	Repeated as Finding 2011-001
2010-002	Finding for Recovery – Alcohol purchases	Yes	
2010-003	Finding for Recovery – No detailed invoices	No	Repeated as Finding 2011-003
2010-004	Unremitted payroll taxes	No	Repeated as Finding 2011-005
2010-005	Ensure that all transactions are properly classified and recorded	No	Repeated as Finding 2011-006
2010-006	Posting approved budgetary amounts into accounting system	No	Accounting system not maintained as noted in Finding 2011-002
2010-007	Unallowed payments from restricted funds	Yes	

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Dave Yost • Auditor of State

ST. CLAIR TOWNSHIP

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2013**