



Dave Yost • Auditor of State

**St. Clair Township
Butler County, Ohio**

Report on Accounting Methods

Local Government Services

St. Clair Township - Butler County

Report on Accounting Methods

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CERTIFICATION

In compliance with the requirements set forth in section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of St. Clair Township was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The control deficiencies and instances of non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Melissa Snider, Chairman of the Financial Planning and Supervision Commission of St. Clair Township; Gary R. Couch, Judy Valerio, and Tom Barnes, members of the Board of Trustees of St. Clair Township, and Douglas Wheelwright, Fiscal Officer of St. Clair Township.

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

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Dave Yost
Auditor of State

September 26, 2017

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Purpose

As required by section 118.10(A) of the Ohio Revised Code, the Auditor of State “...shall issue a preliminary report with respect to the method, accuracy, and legality of the accounts, records, files, and reports of the Township. Such report shall state whether Chapter 117 of the Revised Code and the requirements of the office of the Auditor of State have been complied with....”

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the Township, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing Township personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of St. Clair Township. We were not engaged to, nor did we, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

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Governance Overview

St. Clair Township (the “Township”) is located in southwest Ohio in Butler County. The Township is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The legislative authority is vested in a three-member Board of Trustees (the “Board”).

The Board is elected at-large to serve four-year terms. Two of the members are elected in the same year with the other elected two years thereafter. The Board elects a Chairman to preside over meetings. The Board provides general government services, which include the maintenance of all Township roads and bridges, fire protection, emergency medical services, and the upkeep of a cemetery. The Board has the authority to appoint various Township positions.

The Township Fiscal Officer is elected to a four-year term and serves as the chief Fiscal Officer of the Township and Clerk for the Board of Trustees. The Fiscal Officer attends all Board meetings and keeps a record of all proceedings, rules, bylaws, and legislation. In addition, the Fiscal Officer keeps accurate statements of all monies received and expended by the Township and keeps records of all property owned by the Township and of all taxes and assessments. The Fiscal Officer is responsible for the establishment of accounting procedures necessary to comply with the administrative rules adopted by the Auditor of State.

On May 15, 2014, the Township was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the “Commission”) was established under Ohio Revised Code, section 118.05. The Commission membership is as follows:

1. The Director of Budget and Management or a designee;
2. The County Auditor or a designee;
3. A member of the Board of Trustees or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters.

The powers, duties, and functions of the Commission may include:

1. Review all tax budgets, tax levy ordinances, bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the Township;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the Township;
4. Review, revise, and approve determinations and certifications affecting the Township made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems, and financial procedures and reports into compliance with rules established by the Auditor of State;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,

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10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and the President of the Senate on the progress of the Township.

The Township must prepare a financial recovery plan, which outlines the actions to be taken by the Township to eliminate all fiscal emergency conditions, satisfy any judgments and past due payables, eliminate deficits in all deficit funds, restore monies to all funds from which monies were borrowed or used for purposes not consistent with the fund, balance all budgets and accounts and maintain all current payments due, avoid any fiscal emergency condition in the future, and restore the ability to market long-term general obligation debt. By State statute, the Township must operate within the provisions of the adopted recovery plan. The Commission is required to adopt this financial recovery plan for the Township within one hundred twenty days of its first meeting.

In accordance with Revised Code 118.27, the Township will remain in fiscal emergency until it is determined that:

1. The Township dissolves under Revised Code Section 118.31;
2. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
3. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
4. The objectives of the financial recovery plan are being met; and,
5. The Board of Trustees has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse."

Once these requirements are satisfied, the fiscal emergency will be terminated.

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Budgetary System

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and the type of financial resources that shall be raised and how those financial resources shall be spent. Annually, a budget consisting of estimated receipts and disbursements for each fund for the next year should be presented to the governing body with sufficient time for review and public input. The budget should identify the major sources of receipts and the programs, activities, and major objects of disbursements. The budget should encompass current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the legislative authority, should be the basis for the appropriation measure. The appropriation measure should identify, by fund, department/activity, and object, the amount of resources authorized to be expended for the various governmental functions and programs. The amount appropriated for each fund should not exceed the estimated resources available in that fund for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized receipts and balances available for disbursement.

Statutory Requirements

The budgetary process for the Township is prescribed in Chapter 5705 of the Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution.

Tax Budget - The Fiscal Officer should prepare an annual tax budget of the estimated receipts and disbursements for all funds of the Township for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the Board of Trustees. At least one public hearing must be held for discussion of the budget. The Board of Trustees is required to adopt the budget by July 15 and the budget must be submitted to the Butler County Budget Commission by July 20 of each year.

The County Budget Commission examines the budget to ascertain that all tax levies of the Township are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. The Budget Commission then prepares and submits to the Board of Trustees the Resolution Accepting Rates for the Board of Trustees' consideration. The Board of Trustees must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission. On or about October 1, the Board of Trustees must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

The County Budget Commission may, by an affirmative vote of a majority of the Budget Commission, waive the requirement that the Board of Trustees adopt a tax budget as provided under section 5705.281 of the Revised Code, but shall require the Board of Trustees to provide such information to the Budget Commission as may be required by the Budget Commission to perform its duties under Chapter 5705 of the Revised Code, including allocating inside millage to each subdivision or taxing unit.

Certificate of Estimated Resources - The Budget Commission issues an official certificate of estimated resources on or about September 1 based upon information provided in the tax budget and other information available to the Budget Commission.

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On or about January 1, the Fiscal Officer certifies the actual year end balances for all funds to the Budget Commission. Upon receipt of the information, the Budget Commission issues an amended official certificate of estimated resources that includes the unencumbered fund balances as of December 31. Further amendments may be made during the year if the Fiscal Officer determines that the revenue to be collected by the Township will be greater than or less than the amount included in the amended official certificate of estimated resources.

Appropriation Resolution - Section 5705.38 of the Revised Code requires that on or about January 1, the annual appropriation resolution must be enacted by the Board of Trustees. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the Township until April 1. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Appropriation measures must be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriation or alter the levels adopted by the Board of Trustees must be approved by the Board of Trustees. The Township may pass supplemental appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

The Fiscal Officer is required to certify a copy of each appropriation ordinance to the County Budget Commission. No appropriations are effective until the County Auditor provides a certificate indicating the appropriations, by fund, are within the estimated resources.

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are encumbered and recorded as the equivalent of disbursements in order to reserve that portion of the applicable appropriation and to maintain legal compliance with the adopted appropriations. Disbursements plus encumbrances may not legally exceed appropriations.

Administrative Code Requirements

Section 117-2-02(C)(1) of the Ohio Administrative Code states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be in violation of law. This is established by the level at which the legislative authority appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in section 5705.38 of the Revised Code. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in section 5705.38 of the Revised Code.

Methods Used by the Township

The Township submits a Certificate of the Total Amount from All Sources Available for Expenditures to the County Auditor after year end closing. The Certificate identifies the actual year end fund balances for each fund of the Township. The County Auditor then returns to the Township an Amended Certificate of Estimated Resources that includes the actual unencumbered fund balances at December 31. The Fiscal Officer does not request an Amended Certificate of Estimated Resources when changes occur in the estimated revenue. These changes are being recorded in the UAN financial software by the Fiscal

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Officer. As of May, 2017, per the County Auditor's Officer, there has been one Amended Official Certificate of Estimated Resources for the Township in 2017. The first Certificate was certified by the County Auditor in April, 2017.

The Board of Trustees did adopt temporary appropriations for 2017 per review of the minutes. The permanent appropriations for 2017 were adopted by the Board of Trustees on March 13, 2017. Although the permanent appropriations were approved by the Board of Trustees, the minutes lacked documentation on the level of control approved by the Board of Trustees as well as amounts approved for each fund. The appropriation summary that the Trustees approved was not included within the minutes. The Fiscal Officer does not utilize the Comparison of Budget and Appropriation report to verify that appropriations do not exceed estimated resources. Use of this report would prevent the Township from incurring deficit fund balances.

The Fiscal Officer prepared the permanent appropriations based on history, trends, and other known factors for all funds for the 2017 fiscal year.

The Fiscal Officer files the Appropriations and Amended Certificate of Estimated resources with the Butler County Auditor and receives a certification that the appropriation does/does not exceed estimated resources.

The Tax Budget is prepared by the Fiscal Officer and is based on the prior years' actual receipts and expenditures, the current year's actual and estimated receipts and expenditures, and estimates for the next year based on information available at the time of preparation. The Township received an extension to file their tax budget with the County Auditor's Office for 2016.

The Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the Township based on historical rates. The Budget Commission then prepares and submits to the Township the Resolution Accepting Rates for the Board of Trustees' consideration. The Board of Trustees must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1. The Township accepted the rates in a Resolution on July 11, 2016.

Auditor of State Comments

- Section 5705.38 of the Revised Code requires the Board of Trustees to approve the budgetary appropriations at the proper legal level of control, which is fund/department/personnel services and other. The Board passes all appropriation measures using this level of control; however it is not documented in the minutes the amounts approved for appropriations.
- Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure, as certified by the Budget Commission. The Fiscal Officer should document the comparison of appropriations to estimated resources to ensure compliance with budgetary requirements.
- The Township has deficit fund balances contrary to Section 5705.10, Revised Code. The Township Fiscal Officer, as well as the Board of Trustees, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be ongoing and documented within the minutes.

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- The Fiscal Officer does not request a new amended certificate for new sources of revenue that they intend to appropriate. The Fiscal Officer should request a new amended certificate from the County Budget Commission for new sources of revenue to appropriate.

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Chart of Fund and Account Codes

Description of an Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and the individual funds. Receipt and disbursement codes should allow the transactions to be summarized by major revenue source or disbursement program. Major object codes for disbursements should be used consistently throughout the various program and activity codes.

The Township should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established.

Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve for budget stabilization, for the payment of claims under a self-insurance program, and for the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for the creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

Methods Used by the Township

The Township is using the State software known as the Uniform Accounting Network (UAN). This system utilizes the numeric account coding system as outlined in the Ohio Township Handbook.

Auditor of State Comments

None.

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Accounting Journals and Ledgers

Description of an Effective Accounting Ledgers

The accounting ledgers of the Township should provide ongoing and timely information on estimated and actual receipts, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be traced throughout the ledgers and back to the document that originated the transaction.

Statutory Requirements

Section 507.04 of the Revised Code, requires that the Township's Fiscal Officer keep an accurate record of the proceedings of the Board of Trustees at all of its meetings, and of all its accounts and transactions, including the acceptance of the bonds of Township officers.

Administrative Code Requirements

Section 117-2-02(A) of the Ohio Administrative Code requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code section 117-2-03.

Section 117-2-02(C)(1) of the Ohio Administrative Code requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Fiscal Officer's office. The cash journal presents receipts deposited to and warrants drawn against the Township treasury and the fund(s) to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and warrants. The related pay-in order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

Receipts Ledger – The receipts ledger is used to summarize receipts by fund and account. In addition, the estimated receipts and uncollected balance are presented for each source of revenue. Estimated receipts are recorded from the detail and/or supplemental information used in the preparation of the Tax Budget and is adjusted for any amendments to the Certificate of Estimated Resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

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Appropriations Ledger – The appropriations ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the Township, the warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Fiscal Officer to keep the Township's disbursements and encumbrances within the amounts appropriated by the Board of Trustees. The unencumbered appropriation balance provides information on the amount available for obligations. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

Methods Used by the Township

The Township utilizes the Uniform Accounting Network (UAN). All reports required by the administrative code are available through this software.

The Fiscal Officer is the only employee with access to the UAN system. The Fiscal Officer backs up the system monthly via a portable USB device which is kept in a fireproof lock box in his office. The Township does have a UAN user manual available in the Fiscal Officer's office but, has not been updated for two years. There is also an online manual available as well.

Life Squad – The Township Life Squad utilizes an internet based software system from Medicount Management, Inc. The Life Squad runs are uploaded to the internet based system by electronic device. Medicount Management, Inc. provides off-site data storage, back up services, and a disaster recovery plan and procedures.

Auditor of State Comments

- The Township does not have a written disaster recovery plan that identifies how the Township would react if a major disaster was to affect the community. The recovery plan should include a plan to restore information technology and accounting functions.

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Receipt Transactions

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited in accordance with State statute. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and issued consecutively. The receipt should bear the name of the entity and reflect the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payer. Departmental receipts should be summarized and remitted to the finance department daily. The finance department should issue pay-in-orders to those departments depositing daily collections to the finance department. The pay-in-order forms should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature or name of the person preparing the pay-in-order. Supporting documents should be attached to a copy of the pay-in-order. All receipts or pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, depositing of monies, posting of receipts, and reconciliation of bank accounts.

Statutory Requirements

Section 9.38 of the Revised Code provides that a person who is a public official, employee, or an agent shall deposit all public monies received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt if the total amount received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such a time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 507.03 of the Revised Code provides that “the Township Fiscal Officer, before entering upon the discharge of official duties, shall give bond, payable to the Board of Trustees, with sureties approved by the Board, in the sum of no less than one hundred and sixty thousand dollars, conditioned for the faithful performance of the duties of the office of Township Fiscal Officer. This bond shall be recorded by the Township Fiscal Officer and filed with the County Treasurer, and carefully preserved.”

Section 505.02 of the Revised Code provides that “each Township Trustee, before entering upon the discharge of his duty, shall give bond to the State for the use of the Township, in the sum of one thousand dollars, conditioned for the faithful performance of his duty as Trustee, with at least two sureties, each of whom shall be a resident of the same Township with the Trustee, or a corporate surety authorized to do business in the State. Such bond shall be approved by a judge of the county court or judge of a municipal court having jurisdiction in the Township.”

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Administrative Code Requirements

Section 117-2-02(D)(1) of the Ohio Administrative Code requires the date, amount, receipt number, check number, account code, purchase order number and any other information necessary to properly classify the transactions to be recorded in the cash journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payer, purpose, receipt number, and other information required for the transaction to be recorded in the receipts ledger.

Method Used by the Township

All elected officials (Trustees and Fiscal Officer), the Administrative Assistant, Zoning Supervisor, and the Road Crew Supervisor are bonded. The Administrative Assistant is responsible for receiving all monies but the Fiscal Officer is responsible for overseeing all monies received. Money is received in the form of a check, cash or electronic transfer.

Pay-in receipts for cash and check transactions are generated by the Administrative Assistant. When money is received, the Administrative Assistant manually writes a pay-in receipt in a pre-numbered receipt book. There are two copies of the pay-in receipt, white and yellow. The white copy goes to the customer and the yellow copy is kept for Township records. At the end of the day, the Administrative Assistant writes out a deposit slip for the bank. The pay-in receipt, deposit slip, and check or cash is then photocopied by the Administrative Assistant. The photocopies are given to the Fiscal Officer once the deposit has been made, along with bank confirmation of the transaction.

The Fiscal Officer prepares a receipt using the UAN system and attaches the documentation received from the Administrative Assistant to the receipt. The Fiscal Officer will input each receipt from the Administrative Assistant individually. Receipts are posted on a weekly basis. When inputting the receipts, the Fiscal Officer will analyze the deposit to verify that the amount deposited is consistent with services provided or the cost of cemetery plots. Electronic fund transfers are inputted into the UAN system bi-monthly. Each receipt from the UAN system identifies who the receipt is from, receipt number, batch number, postdate, ticket number, account code, account description, receipt amount, purpose, and an area for the Fiscal Officer's signature. All receipts are kept in a folder with the monthly reconciliation.

Electronic Fund Transfer - Electronic fund transfers (EFT) appear on the Township's bank statement and are processed differently than regular receipts. The most common EFTs received by the Township are for Life Squad fees, County Auditor and State of Ohio deposits. EFTs are posted to the system bi-monthly, The Fiscal Officer goes to the bank and get a transaction report. This report is used to post EFT to that transaction date. The remaining EFT's are posted at the end of the month when the Fiscal Officer reconciles.

Life Squad Fees - The Township's Life Squad fees are collected by an external company named Medicount Management, Inc. When a Life Squad run is made, all information is uploaded through the software to Medicount Management, Inc. Before the report of the incident is uploaded on the Medicount Management system, the patient signs the report but if unconscious the run falls as implied consent. Medicount Management, Inc. takes care of all billing services. At the end of the month, a billing report or statement is sent to the Fiscal Officer. The Fiscal Officer posts the receipts for the Life Squad runs when he reconciles at the end of the month. The Life Squad Chief reports the number of runs made to the Board of Trustees.

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County Auditor and other EFT's – The Township may receive other types of electronic fund transfers. If the transfer is from the State of Ohio, a receipt is mailed to the Township. The County Auditor sends an email describing the EFT disbursement to the Township. The Township also has a sign in account to the County website to review the types of disbursements sent to the Township, including the tax settlement sheets. These EFT's are treated very similar to the Life Squad claims EFT's. The receipt printed off UAN is attached to the supporting documentation from the mail or printed off from the County's website, after the Fiscal Officer signs the receipt and is filed in the month's bank reconciliations folder.

Auditor of State Comments

None

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Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and that the purchasing process be integrated with the budget. The process should include a justification of need and selection of the vendor with the best price, as well as authorization by an appropriate individual. In addition, authorization must include the Fiscal Officer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements

Per Section 507.11 of the Revised Code, the Board of Trustees may, by resolution, authorize Township officers and employees to incur obligations of two thousand five hundred dollars or less on behalf of the Township. The obligations incurred on behalf of the Township by a Township officer or employee acting pursuant to any such resolution shall be subsequently approved by the adoption of a formal resolution of the Board of Trustees.

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the disbursement of monies must be accompanied by a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer.

Blanket Certification of the Availability of Funds - The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that does not extend beyond year end in an amount established by resolution of the Board of Trustees. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine, recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures made under such certificate shall be rendered to the Fiscal Officer before another such certificate may be issued, and not more than one such certificate per appropriation line shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds - The super blanket certification permits the Fiscal Officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the year, and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained and provided by the Fiscal Officer.

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Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision, fuel oil, gasoline, food items, roadway materials, utilities, and any purchase exempt from competitive bidding under Section 125.04 of the Revised Code, and any other specific disbursement that is a recurring and reasonably predictable operating expense.

Then and Now Certification - It is intended that the Fiscal Officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed (then) and at the current time (now), a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the Board of Trustees has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Township.

Authority to Contract - Contracts are made by the Board of Trustees and executed in the name of the Township by the Fiscal Officer, except as otherwise specified by Sections 505.08, 505.101, and 511.12, Revised Code.

Bidding – Section 5549.21 of the Revised code requires all purchases of materials, machinery, and tools necessary for use in constructing, reconstructing, maintaining, and repairing roads and culverts within the Township shall, if the amount involved exceeds \$50,000, be made from the lowest responsible bidder. Section 5575.01, of the Revised Code, requires contracts for the maintenance and repair of roads that exceed \$45,000 and contracts for the construction or reconstruction of Township roads that exceed \$15,000 per mile be let by competitive bid. The Board of Trustees must authorize and direct all such disbursements.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made from the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Section 9.24 of the Revised Code. State agencies and political subdivisions that purchase from the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

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Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the Fiscal Officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, the fiscal officer shall transmit a copy of the statement to the County Treasurer within thirty days of the date it is submitted. A copy of that statement shall be incorporated into the contract. No payment shall be made with respect to any contract to which this section applies unless that statement has been incorporated into the contract.

Administrative Code Requirements

Section 117-2-02(C)(2) of the Ohio Administrative Code states, “purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s) as required by section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the Fiscal Officer’s certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made.”

Methods Used by the Township

The Township currently uses four types of purchase orders: blanket certificates, super blanket certificates, “then and now” certificates, and regular purchase orders issued by the Fiscal Officer. The Fiscal Officer relays to the department heads the total fund budget for their applicable departments. The department heads verbally request purchase orders for goods and services unless the purchase is over \$3,000 or if the purchase is new in nature to the Township. The department heads, however do not request blanket or super blanket purchase orders. These are created by the Fiscal Officer based upon past expenditures of the departments and the funds.

At the beginning of the year the Fiscal Officer will create blanket certificates for routine goods or services, such as materials and supplies as needed and super blanket certificates for professional services and other recurring expenses. Both of these types of purchase orders are used throughout the year to pay applicable invoices, and the Fiscal Officer is responsible for tracking how much has been spent on a particular blanket or super blanket purchase order. The Fiscal Officer monitors the UAN system but does not have documentation showing that he monitors the spending out of the blanket purchase orders. If a specific blanket purchase order is used in full, the Fiscal Officer will create a “Then and Now” certificate or regular purchase order instead of issuing a new blanket. The Board of Trustees has not established a dollar limit on blanket certificates or super blanket certificates for which they must approve the purchase order.

Occasionally, department heads may make a verbal request for purchases using a regular purchase order by the Fiscal Officer. Once the Fiscal Officer reviews the UAN system for availability of appropriations, the Fiscal Officer will create a purchase order in the UAN system. The Fiscal Officer then prints and signs the purchase order(s). The Trustees will sign the purchase orders at Township meetings normally after the product has been ordered or the service has already been completed. However, if the purchase order is over \$3,000 or is an unusual request, the Board of Trustees has verbally requested that department heads present the purchase request at the Township meetings. Once the Board of Trustees

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Report on Accounting Methods

approves the purchase, the Fiscal Officer will create the purchase order in the UAN system and follow the same procedures as other purchase orders created in the UAN system. The Board's approval is notated in the meeting minutes as well as on the actual purchase order.

Even though most of the Township's purchases of goods and services fall under blanket/super blanket purchase orders, the Township does have several occasions when a "Then and Now" purchase order is used. Purchases made before a purchase order is approved are submitted to the Fiscal Officer before they are paid. The Fiscal Officer will create a "Then and Now" certificate. If a "Then and Now" purchase exceeds \$3,000, the purchase order should be presented to the Board of Trustees for their approval.

If requested, the Township can print and mail a copy of the purchase order to the vendor, but typically, the vendors do not ask for a copy.

Vendor information is stored in the Township's financial software (UAN). A purchase order can only be created using a vendor from the list on UAN. Currently, there are no procedures established for purging the vendor files when a vendor becomes inactive. To add a new vendor, the Fiscal Officer, adds the new vendor to the system based upon an invoice but no other information is required of the vendor.

Township employees purchase materials and supplies for the Township and submit a receipt for reimbursement or have the vendor submit an invoice to the Township for payment. The Township uses the UAN system to record all purchases. When an invoice is received with delivered goods it is submitted to the Fiscal Officer and held until an invoice is sent by the vendor. The Fiscal Officer compares the two invoices for variances before making payment.

The Township receives invoices for goods and services through the mail. The Administrative Assistant places all mail in a folder which is given to the Fiscal Officer. If a department at the Township Office receives a bill in the mail, the department head will bring the invoices to the Fiscal Officer.

The Township does partake in a bidding process and it is usually for road projects. These are done through the Butler County Engineer who bids these projects out for the Township. The County is in charge of the entire bidding process. The overall approval is submitted to the Township for the price.

Auditor of State Comments

- The Township had instances in which purchase orders were dated after the invoice and/or receipt for reimbursed goods. Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditures of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated. Purchase orders should be prepared and approved before items are received or ordered by other means.
- The Board of Trustees has not adopted a resolution allowing for the utilization of blanket purchase orders for authorizing obligations for a particular purpose in an amount specified by the Board. Per Section 5705.41 (D)(3) of the Revised Code, the Board should establish a dollar limit for approving blanket purchase orders.

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Report on Accounting Methods

- The Township does not require new vendors to submit information before a purchase order is completed. The Township should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9. The Township should also establish procedures for classifying a vendor as inactive and purging the applicable vendor files.
- The Township does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved. The Township should verify the status of all contractual vendors with the Auditor of State Findings for Recovery Database prior to awarding the contract.
- The Fiscal Officer is responsible for monitoring the spending against blanket and super blanket purchase orders. The Fiscal Officer should document that this is occurring.
- The original purchase order is not sent to the vendor automatically and is only sent upon request by the vendor. The purchase order should always be mailed, faxed, or emailed to the vendor.

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Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Township. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount, and account codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. Vouchers should be approved for payment by an appropriate official. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), and a properly executed certification by the Fiscal Officer. All checks should be signed by the Fiscal Officer and two Trustees and recorded in the cash journal and appropriations ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements

State law places the following requirements on the disbursement of funds:

Checks - Disbursements may only be made by a proper check drawn against an appropriate fund. The check must show upon its face the appropriation from which the disbursement is made and the fund which it is drawn upon.

Restrictions - Monies are drawn from the Township treasury only for appropriations enacted by the Board of Trustees. Disbursements from each fund may be used only for the purposes of such fund and to the extent that cash exists in the fund.

Certification - If no certificate of the Fiscal Officer is furnished as required, upon receipt by the Township of a certificate of the Fiscal Officer stating that there was at the time of the making of such contract or order, and at the time of the execution of such certificate, a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Township may authorize the drawing of a check in payment of amounts due upon such contract, but such resolution shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the Fiscal Officer may authorize it to be paid without such affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Section 507.11(B) of the Revised Code, states, “No money belonging to the Townships shall be paid out, except upon an order signed by at least two of the Township trustees, and countersigned by the Township Fiscal Officer.”

Administrative Code Requirements

Section 117-2-02(C)(3) of the Ohio Administrative Code states, “Vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices.”

St. Clair Township – Butler County

Report on Accounting Methods

Methods Used by the Township

The Township uses the Uniform Accounting Network (UAN) financial software to record all purchases. The Fiscal Officer performs all of the functions on UAN system and is the only one who knows how to use the system and has a password to the system.

Department heads are responsible for requesting approval prior to the purchase of goods and services. Materials and supplies are delivered to the originating departments. Once items are delivered to the departments, the department head is responsible for ensuring all items have been received. There is no set procedure on how this should be done at the Township.

Invoices are received when, or after, items are delivered. The invoices are received at the Township Office or are forwarded to the Fiscal Officer from the department heads, when an invoice is received at their buildings. The Fiscal Officer reviews the invoices then enters them into the UAN system. If something is wrong on the invoice, the Fiscal Officer will contact the vendor before payment and request a corrected invoice.

To create a payment in the system, the Fiscal Officer adds a warrant in the system based on the invoice. The Fiscal Officer inputs the vendor name, description, and price. The invoice screen can be updated to adjust the quantity or price if the entire purchase order amount was not used on the single invoice. The Fiscal Officer then selects whether the invoice is attached to a purchase order, a blanket certificate, or a direct order. Direct orders are payroll-related items. The Fiscal Officer then inputs the purchase order or blanket certificate number and the amount of the invoice. This information is posted to the system, and the checks are printed. Once an invoice is entered, there is no formal notation on the invoice to show that it has been processed for payment in order to avoid a double payment.

If the Fiscal Officer finds an invoice that should have a “Then and Now” certificate, the Fiscal Officer will attach a “Then and Now” certificate and make sure it is signed by himself and at least two of the Trustees.

Invoices are paid bi-monthly. Normally invoices along with a listing of bills to be paid, payment listing and unsigned checks are presented at the Board of Trustee’s monthly meeting. Occasionally, payments are required to be paid before the monthly meeting. On these occasions, the Board of Trustees will be requested to appear at the Township Building to sign checks. The Board of Trustees is provided a list of bills to be paid and a payment listing. The payment listing includes a list of the current bills to be paid, a copy of the checks issued, and a list of expenditures paid in the prior month. After reviewing the payment listing the Trustees sign the checks, but do not sign off on the payment listing verifying they have read it. Checks are required to be signed manually by the Fiscal Officer and at least two trustees.

Expenditures are posted by the Fiscal Officer into the accounting system by fund, program/activity, and object codes. Once the posting occurs within the cash journal, the accounting system automatically posts the transactions to the appropriations ledger. After the checks are printed, the Fiscal Officer prints a payment listing report that he provides to the Board of Trustees as well as the checks for approval signatures.

The checks are printed on perforated paper that includes the actual check and two copies of the check stub. The Township sends the actual check and one check stub to the vendor and files the other copy of the check stub with the invoice documentation. If a vendor requests more information, such as a copy of the purchase order, the Fiscal Officer will provide that as well.

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Report on Accounting Methods

All blank checks are stored in a locked filing cabinet in the Fiscal Officer's office which is locked when he is not present. Only the Fiscal Officer and the Administrative Assistant have a key that opens his door.

Any relevant information (e.g., packing list, check stub, purchase order) is attached to the invoice and filed with all other invoices. Current invoices are stored in the Fiscal Officer's office, while past invoices are filed in a locked closet at the Township building. The key is only available to the Fiscal Officer and Administrative Assistant.

The Township does not initiate cash payments, although employees may submit reimbursement requests that they have paid in cash. Reimbursement requests are honored only if a valid receipt is submitted to the Fiscal Officer at the time the request is made. A check will be issued for a valid reimbursement request.

Voided checks have "void" written on them multiple times by the Fiscal Officer after he voids them in the system. The Trustees sign the voided checks and they are filed with the other invoices. The UAN system will also include the voided checks in the payment listing report provided to the Board of Trustees.

Auditor of State Comments

- The Township should document the procedures for cash disbursements, including the staff positions and their functions. The document should also include procedures for review and documentation of goods received to the invoices or packaging slips and the procedures to follow in instances when they do not match. The document should be kept on file in the Fiscal Officer's office.
- Invoices are not consistently marked "paid" before they are filed with their voucher packets. The Fiscal Officer should document by either stamping or writing "paid" on the invoices so that duplicate payments will not be made.
- When the Trustees review the payment listing report before signing checks, the Trustees should initial or sign this report acknowledging it was read and know what invoices were paid.
- The Fiscal Officer should monitor expenditures to ensure compliance with Ohio Revised Code Section 5705.10. Expenditures from any fund should be within the limits of available resources to prevent any fund from having a negative cash balance.

St. Clair Township – Butler County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and for the year. Standard deductions such as pension, Medicare, and Federal and State taxes should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the Township should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by electronic funds transfer. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current pay schedules, information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws.

Statutory Requirements

Section 505.24 of the Revised Code authorizes a Board of Trustees to adopt by a unanimous vote a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the Board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis and shall be paid from the Township General Fund or from other Township funds in such proportions as the Board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. A Board of Trustees that has adopted a salary method of compensation may return to a method of compensation on a per diem basis by a majority vote. Any change in the method of compensation shall be effective on the first day of January of the year following the year during which the Board has voted to change the method of compensation.

Section 507.09 of the Revised Code requires the compensation of the Township Fiscal Officer be paid in equal monthly payments. If the office of Fiscal Officer is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. In calendar year 2016, the compensation is set at a specific dollar amount based upon the Township's budget. For calendar year 2017, the compensation will increase by five percent. For Calendar year 2018 and thereafter, the compensation will remain the same.

Method Used by the Township

The Township utilizes a computer system provided by the Uniform Accounting Network (UAN), which includes payroll software. The payroll software allows for the accumulation and aggregation of all payroll data for the year. Detailed payroll registers, withholding reports and various other reports can be generated by the payroll software. The payroll software provides month and year-to-date information and detailed and summary information.

St. Clair Township – Butler County

Report on Accounting Methods

The Board of Trustees approves the hiring and firing of all employees. The Township currently has 4 full time employees, 20 part-time employees, and some seasonal employees, depending on the time of the year. The elected Trustees and Fiscal Officer, are paid monthly; all other employees are paid bi-weekly. For all employees, the pay period begins on Sunday and ends on the Saturday two weeks later. Currently, paychecks are distributed to employees, other than the Life Squad Department, every other Friday. The Life Squad Department has an employee on duty to pick up all paychecks for the department. When the Life Squad Department checks are picked up, The employee will sign and date a sheet stating that they picked up the pay checks. The Administrative Assistant also signs and dates the sheet.

Personnel files are kept in the Fiscal Officer's office in a locked filing cabinet. The files contain forms for tax information, wage information, position information and any other information the Township chooses to retain about the employee. There were several personnel files that did not have benefit information and medical information. The Administrative Assistant and the Fiscal Officer have access to the personnel files.

All full-time and part-time employees are required to use time sheets to document their hours worked. Time sheets are manually filled out and signed by the employee. The supervisors review and approve the timesheets which is documented by their signature. Department head timesheets are only signed by the department head and reviewed by the Fiscal Officer. Approved timesheets are brought to the Administrative Assistant or Fiscal Officer. The Life Squad Department also includes a summary of hours worked by each employee with the approved timesheets. The summaries are created by the Chief or Assistant Chief of the Life Squad; the summaries are signed by the creator of the summary.

Elected Officials - The Fiscal Officer and the Trustees' salaries are established by the Revised Code. The Board of Trustees opted to an annual salary instead of a per diem basis. This was not approved in the minutes. The Fiscal Officer and the Trustees are paid 40 percent from the General Fund and 20 percent from the Road and Bridge, Fire District and Life Squad Funds, respectively.

All Other Employees – The Administration Assistant and Road Crew's pay rates are all approved by the Board of Trustees. These employees are also eligible for overtime.

Overtime and Compensatory Leave – All overtime is approved by department heads. Overtime pay is paid at one and a half times the regular pay rate. Compensatory time is calculated at the rate of one and a half hours for each overtime hour worked. It is not to exceed 120 hours in one year and it can be carried from year to year.

Leave - Full time employees of the Township are eligible for vacation leave. After one year of service employees are eligible for two weeks of vacation per year. This amount increases as the years of services increases. To request use of vacation leave, the employee makes a verbal request with the department head and is given a verbal approval. The department head will mark the vacation leave on the employee's time sheet. No formal leave request forms are used by the Township employees. Leave balances in the UAN system are not correct. Leave balances are being tracked by the individual employee and the Administrative Assistant.

Payroll Deductions - Payroll, tax and retirement forms are distributed to each new employee to be completed and returned to the Fiscal Officer. The Fiscal Officer enters the employee's demographic and salary information into the UAN system. The Fiscal Officer creates the employee record and notifies the appropriate retirement system of each new hire that is required to become a member.

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Report on Accounting Methods

Payroll deductions for OPERS and Medicare are processed through the payroll system. Other deductions that are processed through the payroll system include additional retirement plans, additional life insurance, local taxes, school taxes, and child support to name a few. After the last pay period in each month, a report is run for OPERS. The OPERS report and payment are due the last day of the following month.

Payroll Process - When the Fiscal Officer receives the approved time sheets from the Administrative Assistant the information is entered into UAN. From the payroll system, a department batch report is ran and printed off. The batch report from UAN is compared to the time sheets by the Fiscal Officer.

The Fiscal Officer then posts the payroll checks in UAN and prints them. The Fiscal Officer and at least two Trustees reviews and signs the checks. Since payroll sometimes falls before a Board meeting, the Board of Trustees has granted preapproval for the Fiscal Officer to sign the checks and be distributed to the employees on pay day. The checks are printed on perforate paper that includes the actual check and two copies of the pay stub. One pay stub, which includes a breakdown of the employee's hours submitted, deductions and gross pay, is attached to the employee's time sheet and is kept by the Fiscal Officer. The other pay stub and check is put into an envelope and sealed for each employee.

Retirement – The Township does not have a policy that addresses payouts of leave time upon retirement.

Auditor of State Comments

- The Township does not have formal written procedures regarding the payroll process. The Township's Fiscal Officer should document its payroll procedures and maintain them in his office.
- Not all employee personnel files for the Township have the necessary benefit or medical information. All Township employee personnel files should be reviewed, and documents not included should be updated by the Fiscal Officer.
- The Fiscal Officer should keep track of all leave balances for employees within the UAN system. Accurate leave balances should be kept up to date and be easily retrieved.
- Per Section 505.24 of the Revised Code, the Board of Trustees should adopt by unanimous vote a method of compensation. This method should be documented in the minutes.
- The Township should update their employee handbook and policies to include leave request forms. The Township should require each department to use leave request forms and require a department head approval of leave requested. These forms should be filed with the Fiscal Officer once approved.
- The Township should update their employee handbook and policies to address payout of leave time upon retirement.

St. Clair Township – Butler County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before any debt is issued, a resolution authorizing the issuance of debt should be passed by the Board. The statute authorizing the issuance of debt should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the President of the Board and the Fiscal Officer. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be receipted into a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. The statutory requirements vary depending on the nature of the debt being issued.

Method Used by the Township

The Township has one outstanding long-term obligation the Overpeck Building Loan. The Overpeck Building Loan was for the purchase of a storage building used for the storage of seasonal items. The loan is being paid from the Road and Bridge Fund. The Township makes monthly payments on the loan.

The Township's outstanding debt is as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance 12/31/2016</u>
Overpeck Building Loan	4.75%	2017	\$144,000	\$13,764

Auditor of State Comments

None

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Report on Accounting Methods

Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets

Capital assets of the Township should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model number, location, and date of purchase should be maintained by the Fiscal Officer. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of an asset should be properly authorized by the Board of Trustees and reported to the Fiscal Officer.

Supplies include gasoline, vehicle repair parts, road salt, chemicals, gravel, and office supplies. Inventories, where appropriate, should be monitored, controlled, and a physical inventory of materials and supplies should be performed periodically to ensure that items purchased are on hand or have been used. A physical inventory of all material items should be conducted at or near the year end date.

Statutory Requirements

Section 505.04 of the Revised Code states, “The Board of Trustees shall make an inventory on the second Monday of January, each year, of all the materials, machinery, tools, and other Township supplies in its possession. Such inventory shall be a public record and shall be made in duplicate, one copy of which shall be filed with the Fiscal Officer of the Board and one copy with the County Engineer.”

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code requires that all local public offices maintain capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

Methods Used by the Township

The Township does not have any capital asset or consumable inventory policies established. Typically, items that are included in the Township’s insurance policy are listed and monitored in the annual inventory that the Township prepares. The Township does not tag any items of their inventory.

Inventory records are retained by the Administrative Assistant. In January of each year, the Administrative Assistant and the department heads prepare an inventory of all of the Township’s equipment. The inventory for the Administrative Office contains the name of the office that has the item, the serial number (if available), description of the assets, and the model type (if applicable). The inventory for the Maintenance and Mechanic department includes description of the assets, the serial/vin/product number (if available), and the total value of the assets. The inventory of the Life Squad and Fire departments includes a description of assets, a model and serial number (if available) and the manufacturer of the items. When completed, the entire inventory of the Township is given to the Fiscal Officer who reviews it and then sends it to the Butler County Engineer.

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Report on Accounting Methods

The inventory of assets is also utilized for insurance purposes. At the beginning of each year, upon preparation of the inventory update, the Fiscal Officer meets with a representative from the insurance company and if necessary, the insurance company adjusts coverage amounts and updates its records for the changes provided by the Township.

In the prior years when a department would want to dispose of an asset, the department would hold the asset until the Board of Trustees approved an auction. The Township has not had an auction in many years and has not disposed of any inventory in years.

All assets and inventory of the Township are stored within the applicable departments. Each building is locked when employees are not present. Vehicles owned by the Township are stored at the building the vehicle is used for; an example is the Fire Engines are located at the Fire Department. Each vehicle is locked when the vehicle is not in use.

Auditor of State Comments

- The Township does not have written policies and procedures to account for and track capital assets or consumable inventory. The Township should include in this policy a method of tagging capital assets at or above a certain monetary level, with each asset having a unique number. The Township should assign tags and asset numbers to assets at the time they are delivered to ensure that all assets acquired are accounted for.

St. Clair Township – Butler County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management and Investing

Cash received by the Township should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAROhio, and/or other investments as authorized by State statute. Investment transactions should be conducted in accordance with the policies adopted by the Township Board of Trustees. Deposits of public monies should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocated should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed by the Fiscal Officer.

Statutory Requirements

Interim cash should be invested according to section 135.14 of the Revised Code. The deposits of money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a Township are additionally governed by sections 135.01 to 135.22 of the Ohio Revised Code.

Section 135.14(O)(1) of the Revised Code states, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the treasurer or governing board. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2) of the Revised Code states, “if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision’s interim monies only in interim deposits pursuant to division (B)(3) of this section or in interim deposits pursuant to section 135.145 of the Revised Code and approved by the Treasurer of State, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision’s fund pursuant to division (B)(6) of this section.”

Section 135.14(O)(3) of the Revised Code states, “Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

Section 135.22 of the Revised Code requires the Fiscal Officer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State. A Fiscal Officer is not subject to this training if the investments are limited as defined by Revised Code and an exemption form is certified by the Treasurer of State.

St. Clair Township – Butler County

Report on Accounting Methods

Section 135.12 of the Revised Code requires that depositories be designated every five years.

Section 733.27(A) of the Revised Code requires that the Fiscal Officer attend all meeting of the legislative authority of the Township, and keep a record of its proceedings and of all rules, bylaws, resolutions, and ordinances passed or adopted, which shall be subject to the inspection of all persons interested. Section 733.27(B) of the Revised Code requires the Fiscal Officer to attend annual training programs of continuing education for the Fiscal Officer that are provided by the Auditor of State pursuant to Section 117.44 of the Revised Code.

Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must be:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

Method used by the Township

The Township's treasury activities are the responsibility of the Fiscal Officer. The Township has one account and a certificate of deposit with the First Financial Bank.

First Financial Bank serves as the primary depository and receives all the wire transfers and deposits of the Township. The Township has a signed depository agreement with First Financial Bank and is renewable every five years. The Township's deposits are collateralized by the use of a collateral pool. The Fiscal Officer does not have online banking access.

The Fiscal Officer starts the reconciliation once the bank statement is received in the mail. The reconciliation is usually completed within two weeks of month end.

Deposits - First, the Fiscal Officer marks all the Medicount Management, Inc. deposits, the Life Squad Department billing, then a receipt is made up and posted to UAN. The rest of the electronic deposits are verified as well with any supporting documentation, and a receipt is generated and posted to UAN. The non-EFT deposits are verified with the deposit slips that are stapled in the Township's receipt book. A receipt is made for the interest earned, deposited into their account and posted to the General, Motor Vehicle License, and Gasoline Tax funds in UAN. The Fiscal Officer does not sign the receipts.

Withdrawals - The tax payments withdrawals on the bank statement from the IRS are verified to the payment listing from UAN.

The checks that have cleared on the bank statement are marked as cleared on the UAN system by the Fiscal Officer. Since the Township uses UAN for its monthly reconciliation, the system will indicate if everything balances. Green means everything is reconciled and if there is red, the system will not let the Fiscal Officer go any further. Upon completion of the reconciliation, the Fiscal Officer prints off the bank reconciliation, bank balances, outstanding payment listing, and outstanding receipts, if applicable, all from UAN. The Fiscal Officer puts all the supporting documentation in a folder for the month, and files it in his office by month.

St. Clair Township – Butler County

Report on Accounting Methods

Voided checks are voided in UAN, written “void” across the face of the check, signed by the Trustee President, and then filed with other warrant stubs for the month in the Fiscal Officer’s office. These are marked “void” in the payment listing.

Auditor of State Comments

None

St. Clair Township – Butler County

Report on Accounting Methods

Financial Reporting

Description of an Effective Method of Financial Reporting

At least monthly, the Fiscal Officer should provide the Trustees with a report that identifies year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Township. In addition, information concerning the estimated and actual receipts, appropriations, and disbursements plus encumbrances should be presented for the Trustees' review. On an annual basis, the Fiscal Officer should prepare and publish financial statements, a comparison of budgeted versus actual information, a summary of debt activity for the year, and the outstanding principal balance on all debt obligations.

Statutory Requirements

Section 117.38 of the Revised Code requires that the annual financial report be filed with the Auditor of State within sixty days after the close of the year for reports prepared on the cash basis of accounting. At the time that the report is filed, a notice should be published in the local newspaper that the report is completed and available at the office of the Fiscal Officer.

Administrative Code Requirements

Section 117-2-03(A)(1) of the Ohio Administrative Code requires that local public offices file their annual financial report electronically through the Annual Financial Data Reporting System via an entity-specific link, unless the entity has an approved waiver. Section 117-2-03(C) of the Ohio Administrative Code requires local public offices that use the UAN system to file their annual financial reports in accordance with the guidelines established by the UAN. Section 117-2-03(D) of the Ohio Administrative Code requires the reports to be filed on the basis prescribed by the Auditor of State.

Financial Reporting Requirements - On February 2, 2005, the American Institute of Certified Public Accounts (AICPA) issued an interpretation of one of its auditing standards (i.e., AU Section 623 Special Reports) that affects those governments that prepare financial statements using the cash or modified cash basis of accounting. According to the interpretation, the cash basis financial statements presentation must "look like" a generally accepted accounting principles (GAAP) presentation (i.e., GASB Statement No. 34, Basic Financial Statements for State and Local Governments, once it became effective); otherwise, the Auditor of State or contracted independent public accounting firm is required to issue an adverse opinion. For entities that are not legally required to prepare their financial statements in accordance with GAAP and elect not to present "look alike" statements (such entities in Ohio include libraries, Townships, villages, and special districts), the Auditor of State will render a second opinion at the same time it issues its adverse opinion. Therefore, local governments receive two opinions as part of their audit report if their financial statements do not look like GAAP statements (i.e., GASB Statement No. 34).

Methods Used by the Township

The Township prepares its annual financial report on a "look alike" GAAP annual financial report for the year ended December 31, 2016, was filed with the Auditor of State on a timely basis. There was not a notice published in the local newspaper that the report had been filed and is available to the public for review.

St. Clair Township – Butler County

Report on Accounting Methods

At the monthly Board of Trustees meetings, the Fiscal Officer provides the Board of Trustees with a financial packet. This packet is signed by the President of the Trustees each month, The remaining Trustees will occasionally initial the report as well.

The financial packet consists of the following:

Fund Summary Report: This report provides the starting fund balances for all of the Township's funds as recorded in the UAN financial software, the month to date revenues and expenditures, the year to date revenues and expenditures, the ending fund balances, the reserves for encumbrances, and the unencumbered fund balances.

Payment Listing Report: This report provides a list of all expenditures posted to the UAN financial software during the applicable month.

Revenue Status Report: This report provides a list by fund of the budgeted revenues, revenues received to date and percentage received to date, in comparison to budgeted amounts.

Appropriation Status Report: This report provides a line item list by fund of carry-over encumbrances, budgeted appropriations, current year encumbered amounts, year-to-date expenditure, unencumbered balances and percentage of expenditures to date, compared to current year appropriations.

Auditor of State Comments

- At the time the annual financial report is filed with the Auditor of State, the Fiscal Officer must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The Township has not published completion of the report in the newspaper for 2017 and prior years.
- Currently, the Board of Trustees receives financial report distributed within the meeting. To strengthen internal accounting controls, the Board of Trustees should review the financial reports to determine if transactions were posted incorrectly or to verify that unapproved transactions did not occur. All documents should be initialed by each reviewer on a consistent basis.
- The Fiscal Officer should state in the minutes of each meeting that the financial reports of the Township were provided to the Trustees. The Fiscal Officer should make record of any discussions held or questions answered regarding the financial reports, as well as any matters that have been brought to attention regarding the financial reports. These reports should include the following: fund summary report, payment listing report, revenue status report and appropriation status report. Also, a copy of the most recent bank reconciliation with supporting documentation should be presented to the Board of Trustees within the meeting.

St. Clair Township – Butler County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The Township Board minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale supporting the Board's decisions. A resolution should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of a resolution, the yeas and nays should be entered into the minutes, and the resolution should be signed by the presiding officer and the Fiscal Officer. All Board minutes and resolutions should be maintained as a permanent record of the Township.

Statutory Requirements

Section 121.22(C) of the Revised Code requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussion in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Section 149.42 of the Revised Code creates, in each township, a township records commission composed of the chairperson of the Board of Trustees and the Fiscal Officer of the township. The commission shall meet at least once every twelve months and upon call of the chairman. The functions of the commission shall be to review applications for one-time disposal of obsolete records and schedules of records retention and disposition submitted by township offices. The commission may dispose of records pursuant to the procedure outlined in section 149.381 of the Revised Code. The commission, at any time, may review any schedule it has previously approved and, for good cause shown, may revise that schedule under the procedure outlined in that section.

Section 507.04 of the Revised Code requires that the Township Fiscal Officer keep an accurate record of the proceedings of the Board of Trustees at all of its meetings, and of all its accounts and transactions, including the acceptance of the bonds of Township officers.

Methods Used by the Township

The Administrative Assistant types the minutes while listening to an audio recording of the Township Board of Trustees meetings, which are held once a month. Each recording of the minutes is placed in a locked closet within the Administrative Building. The minutes include who is in attendance, approval of prior meeting minutes, a summary of topics discussed, and other upcoming events or concerns.

The Township is maintaining a resolution book. The resolutions that have been approved should be signed by the Trustee President and Fiscal Officer. The minutes should reflect the resolutions that have been passed. There are instances where resolutions appear in the resolution book but are not mentioned in the minutes. There are instances where the resolution numbers in the resolution book does not tie to the resolutions mentioned and passed in the minutes. Approved resolutions are missing the appropriate signatures.

St. Clair Township – Butler County

Report on Accounting Methods

If the Board of Trustees enters into an executive session, the minutes reflect the resolution number and reason but does not disclose the Revised Code section and the time the Trustee's entered and exited the executive session. The Board of Trustees will go to a different room for their executive session.

The minutes are kept in a binder and stored in the Township Administrative Assistant's office. The Administrative Assistant documents the passage of the resolutions in the monthly minutes, as well as the number assigned to each resolution and reflects the vote of each trustee within the minutes.

Auditor of State Comments

- The minutes are not consistently being signed by the Board President or Fiscal Officer. The minutes of the monthly meetings of the Board of Trustees should be approved at the following monthly meeting of the Board. Once minutes have been approved by the Board, the minutes should be signed by the Board President and Fiscal Officer.
- The Township should have a procedure in place to verify that what appears in the resolution book is accurate and complete. An index should be placed at the beginning of the Resolutions Book to help facilitate the location of resolutions by general topic.
- The recordings of the minutes should be kept in a fire proof location.
- The minutes should reflect the Revised Code section allowing for the executive session and the time the session started and ended.

St. Clair Township – Butler County

Report on Accounting Methods

Conclusion

The methods as described by the Township and included in this report are based on our inquiries and discussions with Township personnel and the related procedures documented from the Township's resolutions, administrative rules, and the Revised Code. These methods, in some cases, vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of St. Clair Township are not completely in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State as disclosed throughout this report.

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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
SEPTEMBER 26, 2017**