

SCIOTO TOWNSHIP  
ROSS COUNTY, OHIO

Audited Financial Statements

For the Years Ended December 31, 2007 and 2006





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Scioto Township  
106 Applewood Drive  
Chillicothe, Ohio 45601

We have reviewed the *Independent Accountant's Report* of Scioto Township, Ross County, prepared by Van Kregel and Company, CPAs, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Scioto Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

March 18, 2009

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Scioto Township  
Ross County, Ohio

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INDEPENDENT ACCOUNTANT'S REPORT

Scioto Township
Ross County, Ohio
164 South Watt Street
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of Scioto Township, Ross County, Ohio, (the Township), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Scioto Township, Ross County, Ohio as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2009 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



Van Krevel & Company  
Dublin, Ohio

February 2, 2009



Scioto Township  
 Ross County, Ohio  
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2007

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Permanent Fund</u>	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$ 98,540	\$ 414,360	\$ 40,701	\$ -	\$ 553,601
Charges for Services	-	161,452		-	161,452
Licenses, Permits, and Fees		111,553		-	111,553
Intergovernmental Receipts	107,797	163,335			271,132
Earnings on investments	19,956	4,516		1,255	25,727
Miscellaneous	32,246	92,384			124,630
<b>Total Cash Receipts</b>	<b>258,539</b>	<b>947,600</b>	<b>40,701</b>	<b>1,255</b>	<b>1,248,095</b>
<b>Cash Disbursements:</b>					
Current:					
General Government	222,049	48,679		-	270,728
Public Safety		160,980		-	160,980
Public Works		230,791		-	230,791
Health	236	273,877		-	274,113
Debt Service:					-
Principal Payments			36,457		36,457
Interest Payments			4,244		4,244
Capital Outlay	42,271	85,126		-	127,397
<b>Total Cash Disbursements</b>	<b>264,556</b>	<b>799,453</b>	<b>40,701</b>	<b>-</b>	<b>1,104,710</b>
Total Cash Receipts Over/(Under) Cash Disbursements	(6,017)	148,147	-	1,255	143,385
Fund Cash Balances, January 1	178,759	679,064		30,063	887,886
<b>Fund Cash Balances, December 31</b>	<b>\$ 172,742</b>	<b>\$ 827,211</b>	<b>\$ -</b>	<b>\$ 31,318</b>	<b>\$ 1,031,271</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Scioto Township  
 Ross County, Ohio  
 Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances  
 All Governmental Fund Types  
 For the Year Ended December 31, 2006

	<b>Governmental Fund Types</b>					<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Permanent Fund</b>	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$ 101,083	\$ 452,258		\$ -	\$ -	\$ 553,341
Charges for Services	-	33,253				33,253
Licenses, Permits, and Fees		62,205			-	62,205
Intergovernmental Receipts	142,720	119,107	18,750	40,701	-	321,278
Earnings on investments	17,139	4,530			1,082	22,751
Miscellaneous	32,991	78,858		-		111,849
<b>Total Cash Receipts</b>	<b>293,933</b>	<b>750,211</b>	<b>18,750</b>	<b>40,701</b>	<b>1,082</b>	<b>1,104,677</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	224,729	49,956		-	-	274,685
Public Safety		142,839		-	-	142,839
Public Works	8,634	224,468	18,750		-	251,852
Health	658	266,630		-	-	267,288
Debt Service:						-
Principal Payments				35,616		35,616
Interest Payments				5,085		5,085
Capital Outlay		22,485		-	-	22,485
<b>Total Cash Disbursements</b>	<b>234,021</b>	<b>706,378</b>	<b>18,750</b>	<b>40,701</b>	<b>-</b>	<b>999,850</b>
Total Cash Receipts Over/(Under) Cash Disbursements	59,912	43,833	-	-	1,082	104,827
Fund Cash Balances, January 1	118,847	635,231			28,981	783,059
<b>Fund Cash Balances, December 31</b>	<b>\$ 178,759</b>	<b>\$ 679,064</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,063</b>	<b>\$ 887,886</b>
<b>Reserve for Encumbrances, December 31</b>	<b>\$ 42,271</b>	<b>\$ 8,825</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,096</b>

Scioto Township  
Ross County, Ohio

Notes to the Financial Statements  
December 31, 2007 and 2006

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A Description of the Entity**

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

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

**B Accounting Basis**

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

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

**C Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values repurchase agreements at cost.

**D Fund Accounting**

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

1 General Fund

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

2 Special Revenue Funds

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

*Gasoline Tax Fund* – This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Scioto Township  
Ross County, Ohio

Notes to the Financial Statements  
December 31, 2007 and 2006

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D Fund Accounting** (continued)

*Road and Bridge Fund* – This fund receives property tax money to pay for constructing, maintaining and repairing Township roads and bridges

*Cemetery Fund* – This fund receives general tax money, funds from the sale of lots and fees for opening and closing graves that are used to maintain the cemetery.

*Fire District Fund* – This fund receives property tax money for operating fire and emergency services within the Township.

3 Debt Service Fund

This fund accounts for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond (Note) Retirement Fund – This fund receives tax money for the payment of a note used to purchase a fire department truck.

4 Capital Projects Fund

This fund is used to account for receipts that are restricted to acquiring or constructing major capital projects The Township had the following Capital Projects Fund:

*Issue II Fund* – This fund is used to record on-behalf payments received from the County to pave Township roads.

5 Permanent Fund

This fund is used to account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following Permanent Fund:

*Cemetery Bequest Fund* – This fund receives monies to be held in non-expendable trust by the Township with earnings being used for cemetery maintenance per the terms of the bequest.

**E Budgetary Process**

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

1 Appropriations

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

Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**E Budgetary Process** (continued)

2 Estimated Resources

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

3 Encumbrances

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

A summary of the 2007 and 2006 budgetary activity appears in Note 3.

**F Property, Plant and Equipment**

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

**G Accumulated Leave**

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

**NOTE 2 EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 273,736	\$280,593
Repurchase Agreements	<u>757,535</u>	<u>607,293</u>
Total Deposits and Investments	<u>\$1,031,271</u>	<u>\$887,886</u>

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

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

At December 31, 2007, \$81,682 of deposits was not insured or collateralized, contrary to Ohio law.

Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 3 BUDGETARY ACTIVITY**

Budgetary activity for the year ending December 31, 2007, follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 213,633	\$ 258,539	\$ 44,906
Special Revenue	882,435	947,600	65,165
Debt Service	40,701	40,701	-
Permanent	1,000	1,255	255
Totals	\$ 1,137,769	\$ 1,248,095	\$ 110,326

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 386,769	\$ 264,556	\$ 122,213
Special Revenue	1,397,765	799,453	598,312
Debt Service	40,701	40,701	-
Permanent	-	-	-
Totals	\$ 1,825,235	\$ 1,104,710	\$ 720,525

Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 3 BUDGETARY ACTIVITY** (continued)

Budgetary activity for the year ending December 31, 2006, follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 192,797	\$ 293,933	\$ 101,136
Special Revenue	660,824	750,211	89,387
Debt Service	40,701	40,701	-
Capital Projects		18,750	18,750
Permanent	180	1,082	902
Totals	\$ 894,502	\$ 1,104,677	\$ 210,175

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 311,523	\$ 276,292	\$ 35,231
Special Revenue	1,275,009	715,203	559,806
Debt Service	40,701	40,701	-
Capital Projects	-	18,750	(18,750)
Permanent	-	-	-
Totals	\$ 1,627,233	\$ 1,050,946	\$ 576,287

Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 4 PROPERTY TAXES**

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

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

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

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

**NOTE 5 DEBT**

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note Issued in 2004	\$ 76,545	3.75%

Scioto Township has an outstanding five year note used for the purchase of a fire truck which will end in the year 2009. The general obligation note is supported by the full faith and credit of the Township and is payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

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

<u>Year Ending</u>	<u>Principal Due</u>	<u>Interest Due</u>
December 31, 2008	\$37,831	\$2,870
December 31, 2009	<u>38,714</u>	<u>1,452</u>
	<u>\$76,545</u>	<u>\$4,322</u>



Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 6 RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9.0%, respectively, of their gross salaries. The Township contributed an amount equal to 13.85% and 13.7% of participants' gross salaries for 2007 and 2006, respectively. The Township has paid all contributions required through December 31, 2007.

**NOTE 7 RISK MANAGEMENT**

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

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

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

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 7 RISK MANAGEMENT** (continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, casualty coverage liabilities noted above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The net assets above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$51,036. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Scioto Township  
Ross County, Ohio

Notes to Financial Statements  
December 31, 2007 and 2006

**NOTE 7 RISK MANAGEMENT** (continued)

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

<u>Year</u>	<u>Contribution</u>
2007	\$25,518
2006	30,279
2005	34,509

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**NOTE 8 PENDING LITIGATION**

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not materially adversely affect the Township's financial condition.

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

Scioto Township  
Ross County, Ohio  
164 South Watt Street  
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the financial statements of Scioto Township, Ross County, Ohio, (the Township), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated February 2, 2009, wherein we noted that the Township prepared its financial statements using accounting practices the Auditor of State of Ohio prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-002, 2007-003, 2007-004 and 2007-005.

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

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Scioto Township  
Ross County, Ohio  
Independent Accountant's Report on Internal Control over  
Financial Reporting and on Compliance with Other Matters  
Required by *Government Auditing Standards*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings 2007-002, 2007-003 and 2007-005 are material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001, 2007-004 and 2007-005.

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



Van Krevel & Company  
Dublin, Ohio

February 2, 2009

Scioto Township  
Ross County, Ohio

Schedule of Findings  
December 31, 2007 and 2006

**Finding No. 2007-001**

**Noncompliance Citation and Significant Deficiency**

Ohio Revised Code Section 135.18(A) states that the fiscal officer, before making the initial deposit in a public depository pursuant to an award made under Section 135.01-135.21 of the Ohio Revised Code, except as provided in Section 135.44 of the Ohio Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the fiscal officer, as security for the repayment of public monies to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public monies to be at the time so deposited, over and above the portion or amount of such monies as is at that time insured by the Federal Deposit Insurance Corporation or by any other agency or instrumentality of the Federal Government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public monies on deposit in such public depository plus the amount to be so deposited, minus the portion of the aggregate as is at the time insured as provided in this section.

The deposits at Huntington National Bank exceeded the pledged collateral provided by the Bank and the Federal Deposit Insurance Corporation coverage at December 31, 2007, by \$81,682.

We recommend that the Township's Fiscal Officer monitor the checking and investment balances to ensure adequate collateral is maintained.

**Officials' Response**

We did not receive a response from officials to this finding.

**Finding No. 2007-002**

**Significant Deficiency and Material Weakness**

Budgetary information on the Township's computer records did not agree with the information filed with the County Budget Commission. Failure to record and report the budgetary data accurately presents an inaccurate comparison of the budgetary activity and can mislead those using the annual financial report.

The Fiscal Officer should reconcile the year end budgetary data with the approved amounts to ensure that the budgetary activity is being reported accurately. The financial statements have been adjusted to reflect the approved and reported amounts.

Failure to provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Township's financial position. Failure to accurately prepare and reconcile the accounting records reduces the accountability over Township funds, reduces the Trustees' ability to monitor financial activity, increases the likelihood that monies will be misappropriated and not detected and increases the likelihood that the Township's financial statements will be misstated.

**Officials' Response**

We did not receive a response from officials to this finding.

Scioto Township  
Ross County, Ohio

Schedule of Findings  
December 31, 2007 and 2006

**Finding No. 2007-003**

**Significant Deficiency and Material Weakness**

Ohio Administrative Code 117-2-02(A) states that all local public offices shall 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, document compliance with finance related legal and contractual requirements and prepare financial statements.

During 2007 and 2006, numerous receipts and expenditures were not posted to the correct receipt/expenditure classification, based upon the source of the receipt/purpose of the disbursement resulting in 46 adjusting journal entries for 2007 and 44 adjusting journal entries for 2006. Of those adjustments, 9 in 2007 and 13 in 2006 required adjustments to the fund balances as follows:

2007

General Fund	Decrease	\$51,278
Road & Bridge Fund	Increase	8,582
Cemetery Fund	Increase	29,538
Fire District Fund	Increase	10,915
EMS Fund	Increase	2,243

2006

General Fund	Decrease	\$38,084
Motor Vehicle Fund	Increase	1,295
Gasoline Fund	Increase	8,485
Road & Bridge Fund	Increase	4,318
Cemetery Fund	Increase	15,852
Fire District Fund	Increase	8,134

Reclassification entries have been made to the accompanying financial statements to accurately reflect the proper classifications of receipts and disbursements.

We recommend the Township Fiscal Officer review the Uniform Accounting Network (UAN) Chart of Accounts included in the Ohio Township Handbook for proper classifications of receipts and disbursements and use due care in posting receipts and disbursements to the Township's books.

**Officials' Response:**

We did not receive a response from officials to this finding.

Scioto Township  
Ross County, Ohio

Schedule of Findings  
December 31, 2007 and 2006

**Finding No. 2007-004**

**Noncompliance Citation and Significant Deficiency**

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

During 2006, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2006:

<u>Fund/Function/Object</u>	<u>2006 Appropriations</u>	<u>2006 Expenditures</u>	<u>Variance</u>
<u>General Fund</u>			
General Government/Medical/Hospitalization	\$100,000	\$101,550	\$ (1,550)
General Government/Dental Insurance	2,200	6,091	(3,891)
Capital Outlay/Machinery/Equipment/Furniture	5,000	40,271	(35,271)
<u>Cemetery Fund</u>			
Health/Unemployment Compensation	7,500	11,626	(4,126)
<u>Fire District Fund</u>			
Public Safety/Operating Supplies	40,000	62,612	(22,612)
<u>Debt Service Fund</u>			
Interest Payments	0	5,085	(5,085)

During 2007, the Township appropriated at the fund/function/object level. We noted the following instances where expenditures exceeded appropriations at the legal level of control at December 31, 2007:

<u>Fund/Function/Object</u>	<u>2007 Appropriations</u>	<u>2007 Expenditures</u>	<u>Variance</u>
<u>Gasoline Tax Fund</u>			
Public Works/Workers Compensation	\$ 6,500	\$ 8,797	\$ (2,297)
<u>Cemetery Fund</u>			
Health/Water and Sewage	\$ 3,000	5,131	(2,131)
<u>Debt Service Fund</u>			
Interest Payments	0	4,244	(4,244)

The majority of these variances resulted from the reclassification entries made to the accompanying financial statements to accurately reflect the proper classifications of disbursements.

We recommend the Township Fiscal Officer consider the Uniform Accounting Network Chart of Accounts in the Township Accounting Manual when appropriating funds to the various object codes.

**Official's Response:**

We did not receive a response from officials to this finding.



Scioto Township  
Ross County, Ohio

Schedule of Findings  
December 31, 2007 and 2006

**Finding No. 2007-005**

**Noncompliance, Significant Deficiency and Material Weakness**

**Proper Budgeting and Accounting for On-Behalf-of Programs**

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 705(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Ohio Revised Code Section 5705.40 provides that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. However, no appropriation for any purpose may be reduced below an amount sufficient to cover all unliquidated and outstanding contracts or obligations certified from or against the appropriation. Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Auditor of State Bulletin 2002-004 states that all local governments participating in Issue II Funds (single or multi-project grant) must, for each project awarded, establish a capital projects fund to account for both the Issue II monies and local matching funds. It is not necessary to obtain authorization from the Auditor of State to establish the fund(s) because the authority exists under Section 5705.09 of the Ohio Revised Code. The purpose of the fund is to account for the related revenues and expenditures to the extent the local government has received the benefit from the project. The Ohio Public Works Commission (OPWC) will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed to OPWC.

In 2006, payments were made by OPWC directly to the vendor on the Township's behalf. The related receipts and expenditures were not recorded in the Township's books. In accordance with Auditor of State Bulletin 2002-004 and the Township Accounting Manual, both the revenue and expenditure activity of the grant should have been included. Also, the Township did not amend their Certificate of Estimated Resources or their appropriations measure to account for the payments of the OPWC monies in the amount of \$18,750. As a result, budgetary expenditures for capital outlay in the capital projects fund exceeded the appropriations by \$18,750.

The Township's financial statements have been adjusted to properly reflect the receipts and expenditures in the capital projects fund.

We recommend the Township monitor appropriations, amending their Certificate of Estimated Resources and appropriations measure upon learning of any expected additional receipts or expenditures.

**Officials' Response**

We did not receive a response from officials to this finding.

Scioto Township  
Ross County, Ohio

Schedule of Prior Audit Findings  
December 31, 2007

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Explanation</u>
2003-001	Finding for Recovery - Former Employee	Yes	Matter turned over to Ross County Prosecuting Attorney who set up a payment plan. Balance due from this finding at December 31, 2007 was \$0.
2003-002	Finding for Recovery - Former Employee	No	Matter turned over to Ross County Prosecuting Attorney who set up a payment plan. Balance due from this finding at December 31, 2007 was \$529.00.
2005-001	Posting Receipts and Expenditures	No	Repeated in 2007. See 2007-003.



Mary Taylor, CPA  
Auditor of State

**SCIOTO TOWNSHIP**

**ROSS 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  
MARCH 31, 2009**