

**SCIOTO TOWNSHIP
DELAWARE COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C.



Mary Taylor, CPA

Auditor of State

Board of Trustees
Scioto Township
3737 Ostrander Road
Ostrander, Ohio 43061

We have reviewed the *Independent Accountants' Report* of Scioto Township, Delaware County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2007 through December 31, 2008. 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 Accountants' 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 Accountants' 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 black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 22, 2009

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**SCIOTO TOWNSHIP
DELAWARE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

August 14, 2009

Scioto Township
Delaware County
3737 Ostrander Road
Ostrander, Ohio 43061

To the Fiscal Officer and Board of Trustees:

We have audited the accompanying financial statements of **Scioto Township, Delaware County, Ohio**, (the Township) as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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, 2008 and 2007 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, 2008 and 2007 or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Scioto Township, Delaware County, Ohio as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 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 audit.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types					Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Permanent	
Cash Receipts:						
Local Taxes	\$ 109,112	\$ 314,572	\$ 116,905	\$ -	\$ -	\$ 540,589
Intergovernmental	96,543	125,595	8,191	-	-	230,329
Licenses, Permits, and Fees	4,542	10,628	-	-	-	15,170
Earnings on Investments	20,634	8,163	-	-	-	28,797
Miscellaneous	4,861	18,598	-	-	-	23,459
Total Cash Receipts	235,692	477,556	125,096	-	-	838,344
Cash Disbursements:						
Current:						
General Government	169,229	-	-	-	-	169,229
Public Safety	-	187,284	-	-	-	187,284
Public Works	-	195,048	-	-	-	195,048
Health	15,574	5,770	-	-	-	21,344
Conservation/Recreation	16,175	-	-	-	-	16,175
Debt Service:						
Redemption of Principal	-	116,928	50,000	-	-	166,928
Interest and Other Fiscal Charges	-	7,354	69,100	-	-	76,454
Capital Outlay	-	441,270	1,987	-	-	443,257
Total Cash Disbursements	200,978	953,654	121,087	-	-	1,275,719
Total Cash Receipts Over/(Under) Disbursements	34,714	(476,098)	4,009	-	-	(437,375)
Other Financing Receipts and (Disbursements):						
Transfers-In	-	273,000	-	21,500	-	294,500
Transfers-Out	(21,500)	(273,000)	-	-	-	(294,500)
Other Uses	-	(5,485)	-	-	-	(5,485)
Total Other Financing Receipts/(Disbursements)	(21,500)	(5,485)	-	21,500	-	(5,485)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	13,214	(481,583)	4,009	21,500	-	(442,860)
Fund Cash Balances, January 1	122,995	1,175,231	(11,530)	(81,369)	1,579	1,206,906
Fund Cash Balances, December 31	\$ 136,209	\$ 693,648	\$ (7,521)	\$ (59,869)	\$ 1,579	\$ 764,046

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**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>					Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:						
Local Taxes	\$ 132,786	\$ 311,265	\$ 119,880	\$ -	\$ -	\$ 563,931
Intergovernmental	165,178	105,511	-	-	-	270,689.00
Licenses, Permits, and Fees	5,165	10,795	-	-	-	15,960.00
Earnings on Investments	36,172	15,513	-	3,732	-	55,417.00
Miscellaneous	29,251	6,236	-	-	-	35,487.00
Total Cash Receipts	<u>368,552</u>	<u>449,320</u>	<u>119,880</u>	<u>3,732</u>	<u>-</u>	<u>941,484</u>
Cash Disbursements:						
Current:						
General Government	178,604	-	-	-	-	178,604
Public Safety	-	162,679	-	5,766	-	168,445
Public Works	-	146,999	-	-	-	146,999
Health	13,594	13,005	-	-	-	26,599
Conservation/Recreation	22,176	-	-	-	-	22,176
Debt Service:						
Redemption of Principal	-	-	50,000	-	-	50,000
Interest and Other Fiscal Charges	-	-	71,000	-	-	71,000
Capital Outlay	-	73,007	1,974	-	-	74,981
Total Cash Disbursements	<u>214,374</u>	<u>395,690</u>	<u>122,974</u>	<u>5,766</u>	<u>-</u>	<u>738,804</u>
Total Cash Receipts Over/(Under) Disbursements	154,178	53,630	(3,094)	(2,034)	-	202,680
Other Financing Receipts and (Disbursements):						
Transfers-In	-	66,504	-	-	-	66,504
Transfers-Out	(6,504)	(60,000)	-	-	-	(66,504)
Other Sources/(Uses)	(166)	(584)	-	-	-	(750)
Total Other Financing Receipts/(Disbursements)	<u>(6,670)</u>	<u>5,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(750)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	147,508	59,550	(3,094)	(2,034)	-	201,930
Fund Cash Balances, January 1	<u>(24,513)</u>	<u>1,115,681</u>	<u>(8,436)</u>	<u>(79,335)</u>	<u>1,579</u>	<u>1,004,976</u>
Fund Cash Balances, December 31	<u>\$ 122,995</u>	<u>\$ 1,175,231</u>	<u>\$ (11,530)</u>	<u>\$ (81,369)</u>	<u>\$ 1,579</u>	<u>\$ 1,206,906</u>
Reserve for Encumbrances, December 31	<u>-</u>	<u>\$ 3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Scioto Township, Delaware 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 Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Fiscal Officer. The Township provides general governmental services, including road and bridge maintenance, and cemetery maintenance. The Township contracts with the Delaware County Sherriff's Department to provide security of persons and property.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively. Certificates of Deposit are valued at cost.

The Township invests in STAR Ohio (the State Treasurer's investment pool). Investments in STAR Ohio are recorded as share values reported by the state Treasurer.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

Fire District Fund – This fund receives property tax money to provide fire services for the Township.

3. Debt Service Fund

This debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund – This fund receives tax money earmarked to retire the bonded debt associated with the construction of the fire house.

4. Capital Project Fund

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

Capital Project- Fire Station Fund – The Capital Project- Fire Station Fund was established for the construction of a new fire station.

5. Permanent Funds (Trust)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had three permanent funds for the maintenance of the cemetery.

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, and object level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

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 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 commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 84,557	\$ 349,189
Investments in STAR Ohio	678,489	856,856
Investments in savings accounts	1,000	861
Total deposits and investments	<u>\$ 764,046</u>	<u>\$ 1,206,906</u>

Deposits: are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 212,253	\$ 235,692	\$ 23,439
Special Revenue	436,822	750,556	313,734
Debt Service	131,894	125,096	(6,798)
Capital Projects	-	21,500	21,500
Total	<u>\$ 780,969</u>	<u>\$ 1,132,844</u>	<u>\$ 351,875</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 259,550	\$ 222,478	\$ 37,072
Special Revenue	816,975	1,232,139	(415,164)
Debt Service	123,100	121,087	2,013
Total	<u>\$ 1,199,625</u>	<u>\$ 1,575,704</u>	<u>\$ (376,079)</u>

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 163,365	\$ 368,552	\$ 205,187
Special Revenue	399,744	515,824	116,080
Debt Service	120,887	119,880	(1,007)
Capital Projects	-	3,732	3,732
Total	<u>\$ 683,996</u>	<u>\$ 1,007,988</u>	<u>\$ 323,992</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 306,140	\$ 221,044	\$ 85,096
Special Revenue	772,175	459,274	312,901
Debt Service	123,000	122,974	26
Capital Projects	25,000	5,766	19,234
Total	<u>\$ 1,226,315</u>	<u>\$ 809,058</u>	<u>\$ 417,257</u>

Contrary to ORC Section 5705.39, the total appropriations exceed the total estimated resources in the Road and Bridge, FEMA, Debt Service, and Capital Projects Funds in 2008 and in the General, Road and Bridge, Cemetery, Debt Service, and Capital Projects Funds in 2007.

Contrary to ORC Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 17% of expenditures tested during 2008 and 50% of expenditures tested during 2007.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. DEBT

In December 2003, the Township issued Capital Facilities Bonds in the amount of \$1,600,000, consisting of \$1,000,000 Serial Bonds and \$600,000 Term Bonds. The bonds shall mature in the principal amounts and shall bear interest at the rates per annum as follows: 2013 - \$600,000 bearing interest at 4%, each subsequent year from 2014 through 2023 - \$100,000 per year bearing interest at 5.25%.

The bonds maturing in 2013 shall be term bonds, and subject to mandatory sinking fund redemption as follows: 2007 and 2008 - \$50,000 per year, 2009 - \$55,000, 2010 - \$60,000, 2011 and 2012 - \$75,000 per year and 2013 - \$100,000.

The bonds maturing on or after 2014 are subject to prior redemption on or after December 1, 2013 by and at the sole option of the Township, in multiples of \$5,000, at par plus accrued interest to the redemption date. In no event shall any redemption cause any bonds to be outstanding in a denomination which is less than \$100,000.

6. LEASE AGREEMENT

In 2005, the Township entered into a master lease purchase agreement for firefighting equipment. The lease terms require annual payments of \$62,781, which includes principle and interest (4.1%) to be made until February 2010 when the lease expires. Payments made are applicable toward the purchase price of the fire equipment.

7. RETIREMENT SYSTEMS

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2008 and 2007, members of PERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Township contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

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

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

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

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

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

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	(4,273,553)	(3,329,620)
Members' Equity	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

9. TRANSFERS IN AND OUT

During 2008 and 2007, the Township transferred monies from the Road and Bridge Levy Fund to the Road and Bridge Fund. The transfers were made to assist the Road and Bridge Fund with the expenses related to the road and culvert improvement projects. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

10. GOING CONCERN

The Township's Debt Service and Capital Projects Funds continue to reflect a negative balance at the end of 2008. Based on current information, it appears these funds will remain in deficit balances at least through the end of 2009.

These factors raise doubt about the Township's ability to continue as a going concern.

However, the Township is taking action by implementing a reduced expenditure plan with guidance from Local Government Services (LGS) Division of the AOS office. The AOS office has various remedies available to it, the most severe of which includes placing the Township on fiscal watch or fiscal emergency. The Township does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Township is unable to continue as a going concern.

Perry & Associates
Certified Public Accountants, A.C.

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

August 14, 2009

Scioto Township
Delaware County
3737 Ostrander Road
Ostrander, Ohio 43061

To the Fiscal Officer and Board of Trustees:

We have audited the financial statements of **Scioto Township, Delaware County, Ohio**, (the Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated August 14, 2009, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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.

Internal Control Over Financial Reporting (Continued)

We consider findings 2008-001 through 2008-005 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the 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. We believe finding number 2008-001 described above is also a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

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

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation/ Significant Deficiency/Material Weakness

Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Township had negative fund balances at December 31, 2008 and 2007 as follows:

<u>Fund</u>	<u>2008</u>	<u>2007</u>
Debt Service	(7,522)	(11,530)
Capital Projects	(59,868)	(81,368)

We recommend the Township monitor their fund balances and, when a deficit occurs and is expected to be temporary (i.e., pending the receipt of a grant, tax settlement, etc), we recommend the Township advance monies from the General Fund until the debtor fund can advance the monies back. In the case of a deficit fund balance for which no return of funds can reasonably be expected, we recommend the Township permanently transfer the monies to cover the deficit.

FINDING NUMBER 2008-002

Noncompliance Citation/ Significant Deficiency

Ohio Rev. Code Section 5705.39 requires that total appropriations from each fund shall not exceed total estimated fund resources from each fund. This section also requires the Village to obtain a County Auditor's certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

Total appropriations exceed the total estimated resources in the Road and Bridge, FEMA, Debt Service, and Capital Projects Funds in 2008 and in the General, Road and Bridge, Cemetery, Debt Service, and Capital Projects Funds in 2007.

Township Trustees should monitor appropriations versus estimated resources to help avoid overspending.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003

Noncompliance Citation/ Significant Deficiency

Ohio Revised Code § 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

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

The Township did not properly certify the availability of funds prior to purchase commitment for 17% of the expenditures tested in 2008 and 50% of the expenditures tested in 2007.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2008-003 (Continued)

Noncompliance Citation/ Significant Deficiency (Continued)

Ohio Revised Code § 5705.41(D) (Continued)

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

FINDING NUMBER 2008-004

Significant Deficiency

Posting Receipts

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2008 and 2007, Intergovernmental Receipts were mis-classified as Property and Other Local Taxes.

We recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt accounts and posting of receipts.

Management's Response – We did not receive a response from officials to this finding.

FINDING NUMBER 2008-005

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Revised Code, Section, 5705.39, Appropriations exceeding total revenue.	No	Repeated as 2008-002
2006-002	Ohio Revised Code, Section, 5705.41B, Disbursements exceeding appropriations.	Yes	Corrected
2006-003	Ohio Revised Code, Section, 5705.36, Requesting an increased or decreased amended certificate of estimated resources.	Yes	Corrected
2006-004	Ohio Revised Code, Section, 505.24(C), specifies documentation for trustee salaries not paid from the General Fund.	Yes	Corrected
2006-005	Missing Rollback/Homestead check.	Yes	Corrected
2006-006	Ohio Revised Code, Section, 5705.10, revenue mis-classification.	No	Repeated as 2008-001
2006-007	Ohio Revised Code, Section, 5705.14, governing transfers between funds.	Yes	Corrected
2006-008	Ohio Revised Code, Section, 5705.34, requires a tax levy be authorized and certified by October 1.	Yes	Corrected



Mary Taylor, CPA
Auditor of State

SCIOTO TOWNSHIP
DELAWARE 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
OCTOBER 6, 2009