



**Auditor of State
Betty Montgomery**

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

Scott Township
Sandusky County
2465 County Road 36
Kansas, Ohio 44841-9611

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 23, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Scott Township
Sandusky County
2465 County Road 36
Kansas, Ohio 44841-9611

To the Board of Trustees:

We have audited the accompanying financial statements of Scott Township, Sandusky County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its 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 of Scott Township, Sandusky County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 23, 2005, 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.



Betty Montgomery
Auditor of State

August 23, 2005

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$39,791	\$78,583			\$118,374
Intergovernmental	57,050	93,066	\$5,000		155,116
Charges for Services		3,200			3,200
Licenses, Permits, and Fees	860	1,405			2,265
Earnings on Investments	338	206		\$122	666
Other Revenue	525	1,000			1,525
Total Cash Receipts	<u>98,564</u>	<u>177,460</u>	<u>5,000</u>	<u>122</u>	<u>281,146</u>
Cash Disbursements:					
Current:					
General Government	60,674				60,674
Public Safety		71,237			71,237
Public Works	265	134,500			134,765
Health	716	26,618		190	27,524
Capital Outlay			5,000		5,000
Total Cash Disbursements	<u>61,655</u>	<u>232,355</u>	<u>5,000</u>	<u>190</u>	<u>299,200</u>
Total Receipts Over/(Under) Disbursements	<u>36,909</u>	<u>(54,895)</u>		<u>(68)</u>	<u>(18,054)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		32,873			32,873
Transfers-Out	(32,873)				(32,873)
Total Other Financing Receipts/(Disbursements)	<u>(32,873)</u>	<u>32,873</u>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	4,036	(22,022)		(68)	(18,054)
Fund Cash Balances, January 1	<u>21,797</u>	<u>31,326</u>		<u>6,632</u>	<u>59,755</u>
Fund Cash Balances, December 31	<u><u>\$25,833</u></u>	<u><u>\$9,304</u></u>		<u><u>\$6,564</u></u>	<u><u>\$41,701</u></u>

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$37,254	\$72,849			\$110,103
Intergovernmental	39,380	79,269	\$55,000		173,649
Charges for Services		2,325			2,325
Licenses, Permits, and Fees	710	1,025			1,735
Earnings on Investments	601	231		\$206	1,038
Other Revenue	2,246	4,861			7,107
Total Cash Receipts	<u>80,191</u>	<u>160,560</u>	<u>55,000</u>	<u>206</u>	<u>295,957</u>
Cash Disbursements:					
Current:					
General Government	58,743				58,743
Public Safety		78,210			78,210
Public Works		77,833			77,833
Health	1,217	23,691		280	25,188
Capital Outlay	2,887		55,000		57,887
Total Cash Disbursements	<u>62,847</u>	<u>179,734</u>	<u>55,000</u>	<u>280</u>	<u>297,861</u>
Total Receipts Over/(Under) Disbursements	<u>17,344</u>	<u>(19,174)</u>		<u>(74)</u>	<u>(1,904)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		17,000			17,000
Transfers-Out	(17,000)				(17,000)
Total Other Financing Receipts/(Disbursements)	<u>(17,000)</u>	<u>17,000</u>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	344	(2,174)		(74)	(1,904)
Fund Cash Balances, January 1	<u>21,453</u>	<u>33,500</u>		<u>6,706</u>	<u>61,659</u>
Fund Cash Balances, December 31	<u>\$21,797</u>	<u>\$31,326</u>		<u>\$6,632</u>	<u>\$59,755</u>

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 the Scott Township, Sandusky County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Bradner, the Village of Risingson, Helena Volunteer Fire Department, and Kansas Volunteer Fire Department. The Township also jointly operates the Metzger Cemetery with Jackson Township, Sandusky County.

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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. 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

The Township values certificates of deposit at cost.

D. Fund Accounting

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

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Fire Special Levy Fund - This fund receives property tax money to pay for fire protection for the Township.

3. Capital Project Fund

This fund accounts 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:

Issue II Fund - The Township received a grant from the State of Ohio for upkeep of Township roads.

4. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Cemetery Bequest Fund – This fund receives money willed to the Township for the care and upkeep of specific graves.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

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.

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$35,976	\$54,030
Certificates of deposit	5,725	5,725
Total deposits	\$41,701	\$59,755

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$98,523	\$98,564	\$41
Special Revenue	210,318	210,333	15
Capital Projects	5,000	5,000	0
Fiduciary	123	122	(1)
Total	\$313,964	\$314,019	\$55

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$120,320	\$94,528	\$25,792
Special Revenue	241,586	232,355	9,231
Capital Projects	5,000	5,000	0
Fiduciary	708	190	518
Total	\$367,614	\$332,073	\$35,541

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,818	\$80,191	\$2,373
Special Revenue	246,376	177,560	(68,816)
Capital Projects	55,000	55,000	0
Fiduciary	84	206	122
Total	\$379,278	\$312,957	(\$66,321)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,271	\$79,847	\$19,424
Special Revenue	201,974	179,734	22,240
Capital Projects	55,000	55,000	0
Fiduciary	6,789	280	6,509
Total	\$363,034	\$314,861	\$48,173

Contrary to Ohio law expenditure transactions were not certified by the fiscal officer at the time the commitment was incurred. Also, appropriations exceeded estimated resources in the General Fund, Motor Vehicle License Tax Fund, Gasoline Tax Fund, Road and Bridge Fund, Cemetery Fund, Garbage Levy Fund, and the Trust Funds at various times during 2004.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Risk Pool Membership

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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, 2003 and 2002 (the latest information available):

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained Earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained Earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



**Auditor of State
Betty Montgomery**

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

Scott Township
Sandusky County
2465 County Road 36
Kansas, Ohio 44841-9611

To the Board of Trustees:

We have audited the financial statements of Scott Township, Sandusky County (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 23, 2005, 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 also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated August 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001, 2004-002, and 2004-003. In a separate letter to the Township's management dated August 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 23, 2005

SCOTT TOWNSHIP
SANDUSKY COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such 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 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 §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. **"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 collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts 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 Board.

- B. **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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. **Super Blanket Certificate** – The Board 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 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.

Forty-five percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2004-001
 (Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend all Township disbursements receive prior certification of the Clerk-Treasurer and that the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Clerk-Treasurer, and recorded against appropriations.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 5705.36(A)(2)(b) states the principal of a nonexpendable trust fund and any additions to principal arising from sources other than the reinvestment of investment earnings arising from that fund must be excluded from the amount of unencumbered balances that are certified. The Township included the nonexpendable trust fund principal balances in the certificate of all sources available and appropriated the principal. Ohio Revised Code § 5705.36(A)(2) allows the Township to request increased amended certificates of estimated resources and reduce amended certifications 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 § 5705.36(A)(3) provides that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. Ohio Revised Code § 5705.36(A)(4) provides that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

Additionally, Ohio Revised Code § 5705.39 provides in part that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditures therefrom, as certified by the budget commission or in case of appeal, by the board of tax appeals.

The failure to obtain an increased certificate of estimated resources caused appropriations to exceed estimated resources, at the dates noted, in the following funds which is contrary to Ohio Revised Code § 5705.39:

As of 1/31/04:	Estimated Resources	Appropriations	Variance
General Fund	\$0	\$21,797	(\$21,797)
Special Revenue Funds:			
Motor Vehicle License Tax	0	5,279	(5,279)
Gasoline Tax	0	16,210	(16,210)
Road and Bridge	0	4,882	(4,882)
Cemetery	5,000	6,239	(1,239)
Garbage Levy	0	3,717	(3,717)
Nonexpendable Trust Funds:			
Lugwig Trust	0	5,158	(5,158)
Day Trust	0	912	(912)
Bowman Trust	0	562	(562)

**FINDING NUMBER 2004-002
 (Continued)**

As of 10/31/04:	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue Funds:			
Motor Vehicle License Tax	\$20,279	\$22,279	(\$2,000)
Road and Bridge	17,629	22,010	(4,381)
Cemetery	10,714	15,239	(4,525)

As of 11/30/04:	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue Funds:			
Motor Vehicle License Tax	\$20,279	\$22,279	(\$2,000)
Gasoline Tax	77,210	89,210	(12,000)
Road and Bridge	17,629	22,010	(4,381)
Cemetery	10,714	15,239	(4,525)

Several other funds also had such variances in smaller relative amounts. To avoid over appropriating, we recommend the Township monitor appropriations and estimated resources to ensure that appropriations do not exceed the amount of estimated resources.

FINDING NUMBER 2004-003

Finding for Recovery

Ohio Revised Code § 507.09 sets the 2004 salary for township clerks in townships with a budget between \$250,000.01 and \$500,000, as follows. For clerks whose terms were 4/1/00 to 3/31/04 and then started a new term of 4/1/04 to 3/31/08, the clerk is due \$2,785.75 for 1/1/2004 to 3/31/2004 and \$8,661 for 4/1/04 to 12/31/04, for a total amount due of \$11,446.75.

For 2004, Township Clerk, Bonnie Findlay, was compensated \$11,547.96 resulting in an overpayment of \$101.21.

In accordance with the forgoing facts and pursuant to O.R.C. § 117.28, a finding for recovery for public money illegally expended is hereby issued against Bonnie Findlay, Township Clerk, and the Ohio Township Association Risk Management Authority, her surety, jointly and severally, in the amount of \$101.21, in favor of the Township Treasury.

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Ohio Revised Code § 5705.41 (D), Failure to certify expenditures.	No	Not corrected. Reported as finding number 2004-001.
2002-002	Ohio Revised Code § 5705.38, Passing of appropriations.	No	Not corrected. Reported in the Management Letter.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

**SCOTT TOWNSHIP
SANDUSKY 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 22, 2005**