

SCOTT TOWNSHIP

ADAMS COUNTY

REGULAR AUDIT

JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

YEARS AUDITED UNDER GAGAS: 2007 AND 2006

CAUDILL & ASSOCIATES CPA's

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725 5<sup>th</sup> Street  
Portsmouth, Ohio 45662





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Scott Township  
163 Old SR 32  
Peebles, OH 45660

We have reviewed the *Independent Auditor's Report* of Scott Township, Adams County, prepared by Caudill & Associates, CPA's, 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 Auditor'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 Auditor'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. Scott 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

December 2, 2008

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**SCOTT TOWNSHIP  
ADAMS COUNTY**

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# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

## Independent Auditor's Report

Scott Township  
Adams County  
6493 Tri-County Road  
Seaman, Ohio 45679

We have audited the accompanying financial statements of Scott Township (the Township), Adams County, Ohio, 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 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 obtain reasonable assurance about 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 that 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 years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. 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 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 of the Township 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.

Scott Township  
Adams County  
Independent Auditor's Report

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 29, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's

August 29, 2008

**SCOTT TOWNSHIP  
ADAMS 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
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	<u>(Memorandum Only)</u>
<b><u>Cash Receipts:</u></b>				
Property and Other Taxes	\$ 14,076	\$ 110,596	\$ -	\$ 124,672
Intergovernmental	19,241	112,814	-	132,055
Earnings on Investments	1,283	2,565	253	4,101
Miscellaneous	2,185	17,023	-	19,208
Total Cash Receipts	<u>36,785</u>	<u>242,998</u>	<u>253</u>	<u>280,036</u>
<b><u>Cash Disbursements:</u></b>				
General Government	24,410	-	-	24,410
Public Safety	-	45,179	-	45,179
Public Works	3,308	104,260	-	107,568
Health	3,366	10,440	-	13,806
Capital Outlay	-	125,620	-	125,620
Debt Service:				
Redemption of Principal	-	32,716	-	32,716
Interest and Other Fiscal Changes	-	1,100	-	1,100
Total Cash Disbursements	<u>31,084</u>	<u>319,315</u>	<u>-</u>	<u>350,399</u>
Total Receipts Over (Under) Disbursements	<u>5,701</u>	<u>(76,317)</u>	<u>253</u>	<u>(70,363)</u>
<b><u>Other Financing Receipts/(Disbursements):</u></b>				
Sale of Notes	-	90,000	-	90,000
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>90,000</u>	<u>-</u>	<u>90,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	5,701	13,683	253	19,637
Fund Cash Balances, January 1	<u>19,094</u>	<u>83,683</u>	<u>5,161</u>	<u>107,938</u>
Fund Cash Balances, December 31	<u>\$ 24,795</u>	<u>\$ 97,366</u>	<u>\$ 5,414</u>	<u>\$ 127,575</u>

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



**SCOTT TOWNSHIP  
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<b><u>Cash Receipts:</u></b>				
Property and Other Taxes	\$ 12,825	\$ 108,169	\$ -	\$ 120,994
Intergovernmental	21,766	268,298	-	290,064
Earnings on Investments	480	959	87	1,526
Miscellaneous	180	1,922	-	2,102
Total Cash Receipts	<u>35,251</u>	<u>379,348</u>	<u>87</u>	<u>414,686</u>
<b><u>Cash Disbursements:</u></b>				
General Government	32,614	-	-	32,614
Public Safety	-	49,167	-	49,167
Public Works	3,471	140,859	-	144,330
Health	6,476	23,876	-	30,352
Capital Outlay	-	172,025	-	172,025
Debt Service:				
Redemption of Principal	-	30,000	-	30,000
Interest and Other Fiscal Changes	-	2,474	-	2,474
Total Cash Disbursements	<u>42,561</u>	<u>418,401</u>	<u>-</u>	<u>460,962</u>
<b><u>Other Financing Receipts/(Disbursements):</u></b>				
Sale of Assets	-	15,681	-	15,681
Total Other Financing Receipts (Disbursements)	<u>-</u>	<u>15,681</u>	<u>-</u>	<u>15,681</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(7,310)	(23,372)	87	(30,595)
Fund Cash Balances, January 1	<u>26,404</u>	<u>107,055</u>	<u>5,074</u>	<u>138,533</u>
Fund Cash Balances, December 31	<u>\$ 19,094</u>	<u>\$ 83,683</u>	<u>\$ 5,161</u>	<u>\$ 107,938</u>

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

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**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 Scott Township, Adams County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection.

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 basis of accounting. 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 Deposits**

The Township funds are deposited in an interest bearing checking account and certificates of deposit with local commercial banks. Certificates of deposit are valued 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 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.

Fire Levy Fund – This fund receives proceeds from the property tax for providing fire protection for Township residents.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Permanent Fund**

This fund received money from a Hopkins family cemetery bequest and earns interest from a certificate of deposit.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) 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.

**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 re-appropriated. The Township did not have any outstanding encumbrances at year end.

A summary of 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.

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

The Township maintains a cash and investment pool that 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	\$ 122,575	\$ 102,938
Certificates of Deposit	5,000	5,000
Total Deposits	<u>\$ 127,575</u>	<u>\$ 107,938</u>

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

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 27,060	\$ 36,785	\$ 9,725
Special Revenue	195,060	332,998	137,938
Permanent	100	253	153
Total	\$ 222,220	\$ 370,036	\$ 147,816

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 45,500	\$ 31,084	\$ 14,416
Special Revenue	379,500	319,315	60,185
Permanent	250	0	250
Total	\$ 425,250	\$ 350,399	\$ 74,851

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 26,620	\$ 35,251	\$ 8,631
Special Revenue	199,185	395,029	195,844
Permanent	100	87	(13)
Total	\$ 225,905	\$ 430,367	\$ 204,462

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 51,000	\$ 42,561	\$ 8,439
Special Revenue	459,263	418,401	40,862
Permanent	15	0	15
Total	\$ 510,278	\$ 460,962	\$ 49,316

**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.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**4. PROPERTY TAX (Continued)**

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, collected, and distributing all property taxes on behalf of the Township.

**5. DEBT**

On October 31<sup>st</sup>, 2007, Scott Township issued a \$90,000 Fire Department Bond which was purchased by First State Bank of Adams County. The bond was issued to help finance the purchase of a Ladder Truck and Land, located next to the fire house. The proceeds from this bond were paid to the Township upon issuance of the bonds.

The bond called for 4.75% interest to be paid per annum, payable on each May 1 and November 1, beginning May 1<sup>st</sup>, 2008. The bond schedule called for a 6 year payout.

Debt outstanding at December 31, 2007 was as follows:

	Principal Outstanding 12/31/06	Additions	Deductions	Principal Outstanding 12/31/07	Amounts Due Within One Year
2007 Fire House Bond	-	90,000	-	90,000	15,000

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

Year	Fire House Bond	
	Principle	Interest
2008	\$15,000	\$4,326
2009	15,000	3,605
2010	15,000	2,884
2011	15,000	2,163
2012	15,000	1,442
2013	15,000	721
Total	<u>\$90,000</u>	<u>\$15,141</u>

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**6. LEASE**

In 2003 the Township entered into a lease to purchase road equipment. This lease was paid in full in 2007.

**7. RETIREMENT SYSTEMS**

The Township's officials and employee belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' 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 percent of their gross wages, respectively, and the Township contributed an amount equaling 13.85 and 13.7 percent, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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 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**

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. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,695,000 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

**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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**8. RISK MANAGEMENT (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 miller per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payments. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. 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 2007 (latest information available) was \$2,014,548.

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.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 contributions. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**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.

	<b>2007</b>	<b>2006</b>
Assets	\$43,210,706	\$ 42,042,275
Liabilities	(13,357,837)	(12,120,661)
Retained Earnings	\$29,852,869	\$ 29,921,614

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings 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 \$11,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

**Contributions to OTARMA**

2006	\$10,283
2007	\$7,012

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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 al 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.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**9. COMPLIANCE**

- (A) Contrary to Ohio Rev. Code Section 5705.41 (D), the Township did not properly certify disbursements in 2006 and 2007.
- (B) Contrary to Ohio Rev. Code Section 5705.39, the Township made appropriations in excess of the total estimated resources available for appropriation in 2006 and 2007.
- (C) Contrary to Ohio Rev. Code Section 731.14, the Township did not bid contracts in excess of \$25,000 in 2006 and 2007.
- (D) Contrary to Ohio Administrative Code 117-2-02(C)(1) The Township did not properly post budgeted amounts to UAN

**10. Miscellaneous Receipts**

In 2007, the Township received \$15,055 in Various reimbursements that were recorded into the Fire District Fund Miscellaneous Receipts. The largest reimbursement was \$15,000 for a Sutphen Fire Truck.



# Caudill & Associates, CPA's

725 5<sup>th</sup> Street  
Portsmouth, OH 45662

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Scott Township  
6493 Tri-County Road  
Seaman, Ohio 45679

We have audited the financial statements of Scott Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's financial statements, and have issued our report dated August 29, 2008, wherein we noted the Township uses accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Township's internal control over financial reporting. Accordingly, we do not express an opinion of 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 to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the following deficiencies described in the accompanying schedule of findings and responses to be a significant deficiencies in internal control over financial reporting as items 2007-003, 2007-004 and 2007-005.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Scott Township

Adams County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *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 internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed four instances of noncompliance that is required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-02, 2007-003 and 2007-004.

We noted certain other matters that we reported to the Township's management in a separate letter dated August 29, 2008.

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

This report is intended for the information and use of management, Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Caudill & Associates, CPA's*

Caudill & Associates, CPA's  
August 29, 2008

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation – Ohio Revised Code 5705.41 (D)**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate
  
- B. If the amount involved is less than \$1,000 dollars (which was changed to \$3,000, effective April 7, 2003), the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

In 2006 and 2007, 51% and 45%, respectively, of expenditures were not certified prior to the purchase commitment being made. By not certifying funds prior to a purchase commitment, this may cause the Township to obligate money it does not have.

We recommend the Township properly certify funds prior to an obligation being incurred.

**Township Response:**

The Township will try to certify funds timely in the future.

**FINDING NUMBER 2007-002**

**Noncompliance Citation – Ohio Revised Code 5705.39**

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In 2006, appropriations exceeded estimated resources in the Gas Tax Fund, and Fire District Fund. In 2007, appropriations exceeded estimated resources in the Fire District Fund.

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**FINDING NUMBER 2007-002 (CONTINUED)**

**Township Response:**

The Township was unaware of this requirement and will monitor changes in estimated resources more closely.

**FINDING NUMBER 2007-003**

**Noncompliance Citation/Significant Deficiency – Ohio Revised Code Section 731.14**

Ohio Revised Code Sections 731.14 states that generally, all contracts made by the legislative authority of a municipal government for equipment, services, materials or supplies that exceeds \$25,000, such contracts shall be in writing and made with the lowest and best bidder after advertising for not less than two nor more than four consecutive weeks in a newspaper of general circulation.

In 2006, the Township contracted for fire equipment in the amount of \$147,000 without documentation of bidding.

We recommend that the Township follow proper bidding procedures when entering into all contracts and to organize and file all documentation on the contract bidding procedures. If exceptions apply, we recommend that the Township document why the contract was not competitively bid.

**Township Response:**

The State Fire Marshal told the Township that bidding was not required for the contract because of lack of suppliers. We will monitor similar situations more closely in the future to meet requirements.

**FINDING NUMBER 2007-004**

**Noncompliance Citation/Significant Deficiency – Ohio Administrative Code 117-2-02(C)(1)**

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

Estimated receipts and appropriations posted to the Township's receipt and expenditure ledgers varied significantly from the estimated receipts per the Amended Official Certificates of Estimated Resources and the Township's appropriations resolutions in several funds in 2006 and 2007.

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ADAMS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-004 (Continued)**

Estimated receipts as approved on the Amended Official Certificates of Estimated Resources and appropriations per the appropriations resolutions should be accurately reflected in the Township's receipt and expenditure ledgers to allow for proper monitoring of budget versus actual activity.

We recommend the Township ensure that approved estimated receipts and appropriations are accurately posted to the receipts and expenditures ledgers and that Board of Trustees monitor budget versus actual activity for any unusual or unexpected variances.

**Township Response:**

The Township will monitor more closely the budgeted amounts posted to ledgers.

**FINDING NUMBER 2007-005**

**Significant Deficiency – Posting of Receipts**

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditor during a financial statements audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses.

During 2006 and 2007, the Township erroneously posted receipts. This required reclassifications to properly present the activity of the Township for both years.

**Township Response:**

The Township will obtain support if they are unsure of where to post revenues.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	Issuance of bond/line of credit	Yes	N/A
2005-002	Ohio Revised Code Section 5705.41(D) – invoice dates preceded purchase order dates	No	Reissued as finding 2007-001



**Mary Taylor, CPA**  
Auditor of State

**SCOTT TOWNSHIP**

**ADAMS 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  
DECEMBER 16, 2008**