



Dave Yost • Auditor of State



**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

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# Dave Yost • Auditor of State

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 an 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 adverse 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 black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

May 18, 2011

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# Dave Yost • Auditor of State

## 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, 2010 and 2009. 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(A) mandates 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.

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 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, 2010 and 2009 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, 2010 and 2009, 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 Scott Township, Sandusky County, as of December 31, 2010 and 2009, 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 May 18, 2011, 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.



**Dave Yost**  
Auditor of State

May 18, 2011



**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$59,856	\$99,817	\$159,673
Charges for Services		1,900	1,900
Licenses, Permits, and Fees	1,300	1,300	2,600
Intergovernmental	52,363	116,179	168,542
Earnings on Investments	148	181	329
Donations	16,667		16,667
Miscellaneous	3,378	4,178	7,556
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	133,712	223,555	357,267
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
General Government	72,681		72,681
Public Safety		95,949	95,949
Public Works		24,946	24,946
Health	526	26,242	26,768
Capital Outlay		73,603	73,603
Debt Service:			
Redemption of Principal		12,362	12,362
Interest and Other Fiscal Charges		3,521	3,521
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	73,207	236,623	309,830
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	60,505	(13,068)	47,437
	<hr/>	<hr/>	<hr/>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		10,000	10,000
Transfers-Out	(10,000)		(10,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	(10,000)	10,000	
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	50,505	(3,068)	47,437
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	53,885	105,822	159,707
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$104,390</b>	<b>\$102,754</b>	<b>\$207,144</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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 - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
<b>Operating Cash Disbursements:</b>	
Other	<u>\$240</u>
Operating Loss	<u>(240)</u>
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	<u>43</u>
Net Disbursements Over Receipts	(197)
Fund Cash Balances, January 1	<u>6,154</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$5,957</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 FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$46,088	\$93,766	\$139,854
Charges for Services		2,600	2,600
Licenses, Permits, and Fees	874	2,100	2,974
Intergovernmental	40,842	115,993	156,835
Earnings on Investments	113	111	224
Miscellaneous	726	5,424	6,150
Total Cash Receipts	<u>88,643</u>	<u>219,994</u>	<u>308,637</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	73,406		73,406
Public Safety		90,328	90,328
Public Works		57,453	57,453
Health	874	33,840	34,714
Capital Outlay	35,024	50,000	85,024
Total Cash Disbursements	<u>109,304</u>	<u>231,621</u>	<u>340,925</u>
Total Disbursements Over Receipts	<u>(20,661)</u>	<u>(11,627)</u>	<u>(32,288)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-In		20,550	20,550
Transfers-Out	(20,550)		(20,550)
Total Other Financing Receipts / (Disbursements)	<u>(20,550)</u>	<u>20,550</u>	
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(41,211)	8,923	(32,288)
Fund Cash Balances, January 1	<u>95,096</u>	<u>96,899</u>	<u>191,995</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$53,885</u></b>	<b><u>\$105,822</u></b>	<b><u>\$159,707</u></b>

*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 - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
<b>Operating Cash Disbursements:</b>	
Other	<u>\$240</u>
Operating Loss	<u>(240)</u>
<b>Non-Operating Cash Receipts:</b>	
Earnings on Investments	<u>101</u>
Net Disbursements Over Receipts	(139)
Fund Cash Balances, January 1	<u>6,293</u>
<b>Fund Cash Balances, December 31</b>	<u><u><b>\$6,154</b></u></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, 2010 AND 2009**

**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, 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 refuse collection services. The Township contracts with the Risingsun Volunteer Fire Department, Bradner Volunteer Fire Department, Helena Volunteer Fire Department and Kansas Volunteer Fire Department for fire protection services.

The Township participates in operating the Metzger Cemetery, a jointly governed organization with Jackson Township and the Ohio Township Association Risk Management Authority (OTARMA), public entity risk pool. Notes 7 and 9 to the financial statements provide additional information for these entities.

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

**B. Accounting Basis**

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

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

**C. 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant special revenue funds:

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

Fire Levy Fund - This fund receives property tax revenues to pay for fire protection services within the Township.

**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Fiduciary Funds**

Fiduciary funds are the Township's private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of certain individual's grave sites.

**D. 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.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**E. 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 Deposits**

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

**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled Deposits (Continued)**

	2010	2009
Demand deposits	\$207,376	\$160,136
Certificates of deposit	5,725	5,725
Total deposits	\$213,101	\$165,861

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$169,812	\$133,712	(\$36,100)
Special Revenue	227,694	233,555	5,861
Trust	16	43	27
Total	\$397,522	\$367,310	(\$30,212)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$155,128	\$83,207	\$71,921
Special Revenue	337,052	236,623	100,429
Trust	403	240	163
Total	\$492,583	\$320,070	\$172,513

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$207,574	\$88,643	(\$118,931)
Special Revenue	230,579	240,544	9,965
Trust		101	101
Total	\$438,153	\$329,288	(\$108,865)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$214,500	\$129,854	\$84,646
Special Revenue	260,038	231,621	28,417
Trust	300	240	60
Total	\$474,838	\$361,715	\$113,123

**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**4. Property Tax**

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

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. Capital Lease**

Capital lease outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Capital Lease	\$56,136	5.14%

On July 21, 2009, the Township entered into a \$68,498 lease-purchase agreement through Kansas State Bank for the purchase of an international truck with dump body and plow equipment. The Township has agreed to make annual payments of \$15,883 and the payments mature on July 21, 2014. The lease is collateralized by the truck.

Amortization of the above debt, including interest, is scheduled as follows:

	International Truck with Dump Body and Plow
Year ending December 31:	
2011	\$15,883
2012	15,883
2013	15,883
2014	15,883
Total	\$63,532

**6. Retirement System**

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, 2010 AND 2009  
(Continued)**

**6. Retirement System (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**7. Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2009 and 2008 (the latest information available):

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**7. Risk Management (Continued)**

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

<b><u>Contributions to OTARMA</u></b>		
<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
\$3,967	\$2,569	\$3,244

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

**8. Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. Jointly Governed Organization**

Scott and Jackson Townships jointly operate the Metzger Cemetery in Sandusky County (the Cemetery). A six-member Board of Trustees governs the Cemetery. Each political subdivision appoints their board members. Jackson Township pays Scott Township to meet the Cemetery's operating costs. Scott Township provides grounds maintenance, opening and closing of graves, and the sale of grave lots for the Cemetery.



# Dave Yost • Auditor of State

## 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, 2010 and 2009, and have issued our report thereon dated May 18, 2011 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 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(A) mandates the Auditor of State to audit Ohio governments. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-003 described in the accompanying schedule of findings to be 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 18, 2011.

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

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



**Dave Yost**  
Auditor of State

May 18, 2011

**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

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

**FINDING NUMBER 2010-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.09 requires each subdivision to establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- A special fund for each public utility operated by a subdivision;
- A trust fund for any amount received by a subdivision in trust.

Ohio Revised Code section 5705.12 states, in addition to the funds provided for by section 5705.09 of the Revised Code, the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the Auditor of State, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds. The auditor of state shall consult with the tax commissioner before approving such funds.

The Township created a permanent fund during 2009. There is no trust agreement to support it as a permanent fund, thus it was not a required fund per Revised Code 5705.09. This fund was not approved by an ordinance or resolution of the Board of Trustees, and no approval was requested or received from the Auditor of State.

As a result, the financial statements were misstated and required audit adjustments to reclassify the activity within the fund.

We recommend the Township only establish funds required by the Revised Code and request approval from the Auditor of state for any additional funds.

**Officials' Response:**

The Fiscal Officer acknowledges errors were made and will correct these in the future.

## FINDING NUMBER 2010-002

### Noncompliance Citation

Ohio Revised Code Section 5549.21 requires competitive bidding for the purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$25,000.

During the audit period, the Township purchased a John Deere tractor for \$46,470. The Township was unable to provide any support this item was purchased through competitive bidding or the state cooperative purchasing program. To be in compliance with Ohio Law, we recommend the Township competitively bid all contracts meeting the above listed criteria.

### Officials' Response:

The Fiscal Officer acknowledges errors were made and will correct these in the future.

## FINDING NUMBER 2010-003

### Material Weakness

#### Financial Reporting

The review of the financial statements resulted in the following significant audit adjustments:

#### 2010

- Other financing sources in the General Fund (\$18,190) were reclassified into donations and miscellaneous receipts.
- Transfers out of the General Fund to the Permanent Fund were removed (\$42,490),
- Capital lease payments in the Gas Tax Fund (\$15,883) posted as capital outlay disbursements were reclassified to debt service principal and interest, and
- Taxes (\$2,841) were posted to the Fire Fund, when they belonged in the Refuse Fund.

#### 2009

- Transfers out of the General Fund to the Permanent Fund were removed (\$35,000), and
- Capital outlay expenditures in the Permanent Fund (\$35,000) were moved to the General Fund.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees, and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the annual report by the Board of Trustees to identify and correct errors and misclassifications.

### Officials' Response:

The Fiscal Officer acknowledges errors were made and will correct these in the future.

**SCOTT TOWNSHIP  
SANDUSKY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	ORC 5705.24 – Finding for Recovery over trustee compensation	Yes	
2008-002	ORC 5705.39 – Appropriations exceeding estimated resources	No	Partially Corrected; Repeated in Management Letter
2008-003	ORC 5705.36 – Failure to obtain increased and reduced amended certificates	Yes	
2008-004	Material Weakness over Financial Reporting	No	Not Corrected; Repeated as Finding #2010-003 in this report

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# Dave Yost • Auditor of State

**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  
JUNE 9, 2011**