

***SCIOTO TOWNSHIP  
JACKSON COUNTY, OHIO***

***AUDIT REPORT***

***FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009***

***Charles E. Harris and Associates, Inc.***  
**Certified Public Accountants and Government Consultants**





# Dave Yost • Auditor of State

Board of Trustees  
Scioto Township  
1021 VanFossan Road  
Jackson, Ohio 45640

We have reviewed the *Report of Independent Accountants* of Scioto Township, Jackson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2009 through December 31, 2010. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 6, 2011

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**SCIOTO TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2010 and 2009**

**TABLE OF CONTENTS**

<b><u>Title</u></b>	<b><u>Page</u></b>
Report of Independent Accountants	1 - 2
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 2010	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types- For the Year Ended December 31, 2009	4
Notes to the Financial Statements	5 - 12
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13-14
Schedule of Findings	15-19
Schedule of Prior Audit Findings	20

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***Charles E. Harris & Associates, Inc.***  
***Certified Public Accountants***

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Scioto Township  
Jackson County  
1021 VanFossen Road  
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the accompanying financial statements of Scioto Township, Jackson 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. 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.

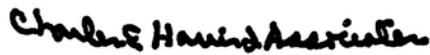
Instead of the combined funds the accompanying financial statements present, GAAP requires presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the 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 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 Scioto Township, Jackson 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 July 29, 2011, on our consideration of the Township's internal control over financial reporting and on 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 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.



*Charles E. Harris & Associates, Inc.*

July 29, 2011

SCIOTO TOWNSHIP  
 JACKSON 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

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 33,737	\$ 88,001	-	\$ 121,738
Intergovernmental	37,036	113,418	\$ 111,604	262,058
Interest	168	-	-	168
Miscellaneous	-	295	-	295
<b>Total Receipts</b>	<b>70,941</b>	<b>201,714</b>	<b>111,604</b>	<b>384,259</b>
<b>Disbursements:</b>				
Current:				
General Government	60,180	3,159	1,116	64,455
Public Safety	-	48,861	-	48,861
Public Health Services	1,219	35,206	-	36,425
Public Works	-	131,545	-	131,545
Capital Outlay	-	-	32,724	32,724
Debt Service:				
Principal	-	-	31,828	31,828
Interest	-	-	1,691	1,691
<b>Total Disbursements</b>	<b>61,399</b>	<b>218,771</b>	<b>67,359</b>	<b>347,529</b>
Total Receipts Over(Under) Disbursements	9,542	(17,057)	44,245	36,730
Fund Balance 1/1/2010	(10,368)	57,212	\$ (11,308)	35,536
<b>Fund Balance 12/31/2010</b>	<b>\$ (826)</b>	<b>\$ 40,155</b>	<b>\$ 32,937</b>	<b>\$ 72,266</b>

See accompanying Notes to the Financial Statements.

SCIOTO TOWNSHIP  
 JACKSON 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

	<b>Governmental Fund Types</b>			<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 35,368	\$ 88,782	-	\$ 124,150
Intergovernmental	31,375	123,576	\$ 102,222	257,173
Interest	319	-	-	319
<b>Total Receipts</b>	<u>67,062</u>	<u>212,358</u>	<u>102,222</u>	<u>381,642</u>
<b>Disbursements:</b>				
Current:				
General Government	88,204	3,374	1,012	92,590
Public Safety	-	52,917	-	52,917
Public Health Services	587	28,502	-	29,089
Public Works	-	136,003	-	136,003
Capital Outlay	-	-	223,589	223,589
Debt Service:				
Principal	-	-	17,098	17,098
Interest	-	-	1,133	1,133
<b>Total Disbursements</b>	<u>88,791</u>	<u>220,796</u>	<u>242,832</u>	<u>552,419</u>
Receipts Over (Under) Disbursements	(21,729)	(8,438)	(140,610)	(170,777)
Other Financing Sources (Uses)				
Other Debt Proceeds	-	-	106,115	106,115
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>106,115</u>	<u>106,115</u>
<b>Total Receipts Over(Under) Disbursements</b>	(21,729)	(8,438)	(34,495)	(64,662)
Fund Balance 1/1/2009	11,361	65,650	23,187	100,198
<b>Fund Balance 12/31/2009</b>	<u><b>\$ (10,368)</b></u>	<u><b>\$ 57,212</b></u>	<u><b>\$ (11,308)</b></u>	<u><b>\$ 35,536</b></u>

See accompanying Notes to the Financial Statements.

**SCIOTO TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Scioto Township, Jackson County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides road and bridge maintenance and cemetery maintenance.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

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

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**SCIOTO TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Fire Fund* – This fund receives property tax proceeds to pay for the fire protection for the Township.

Capital Projects Funds: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

- *Permanent Improvement Fund* – This fund receives permissive sales tax proceeds which are used to pay for permanent improvement projects within the Township.

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.

**SCIOTO TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 4.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$ 72,266	\$ 35,536

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

**SCIOTO TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

3. PROPERTY TAXES

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Township. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Jackson County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the Township was completed in 2010. The next revaluation is scheduled for 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due December 31, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) received during calendar year 2010 represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes on business inventory, manufacturing and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied April 1, 2009 on the values listed as of December 31, 2009. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Jackson County Treasurer collects property taxes on behalf of the Township. The Jackson County Auditor remits the collected taxes to the Township. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

4. BUDGETARY ACTIVITY

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

2010 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 67,214	\$ 70,941	\$ 3,727
Special Revenue	208,524	201,714	(6,810)
Capital Projects	93,942	111,604	17,662

**SCIOTO TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

4. BUDGETARY ACTIVITY – (Continued)

2010 Budgeted vs Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 58,647	\$ 61,399	\$ (2,752)
Special Revenue	222,470	218,771	3,699
Capital Projects	95,579	67,359	28,220

2009 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 74,147	\$ 67,062	\$ (7,085)
Special Revenue	188,752	212,358	23,606
Capital Projects	213,801	208,337	(5,464)

2009 Budgeted vs Actual Budgetary Basis Expenditures

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 85,039	\$ 88,791	\$ (3,752)
Special Revenue	222,893	220,796	2,097
Capital Projects	220,015	242,832	(22,817)

5. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2010 and 2009, members of OPERS contributed 10 percent of their wages. The Township contributes an amount equal to 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

**SCIOTO TOWNSHIP**  
**JACKSON COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2010 and 2009**

6. 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, 2010, 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, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

**SCIOTO TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

6. RISK MANAGEMENT – (Continued)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, 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 \$ 3,000.

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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
\$ 3,447	\$ 3,100

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.

7. DEBT

Debt outstanding at December 31, 2010 was as follows.

<u>General Obligation Notes</u>	<u>Principal</u>	<u>Interest Rate</u>
Road Maintenance	\$ 42,457	3.60%
Tractor and Boom	14,732	3.60%
Total	<u>\$ 57,189</u>	

The Township issued general obligation notes to finance the purchase of a tractor and boom and road maintenance. The Township's full faith and credit is pledged for repayment.

**SCIOTO TOWNSHIP  
JACKSON COUNTY, OHIO  
Notes to the Financial Statements  
For the Years Ended December 31, 2010 and 2009**

7. DEBT – (Continued)

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

Year End December 31	Tractor & Boom	Road Improvement
2011	\$ 15,285	\$ 15,173
2012	-0-	15,173
2013	-0-	15,173
Total	\$ 15,285	\$ 45,519

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

9. BUDGETARY NONCOMPLIANCE

The Township had the following citations for budgetary noncompliance:

- Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Township did not obtain prior certification for expenditures.
- Contrary to **Ohio Rev. Code Section 5705.41(B)**, the Township had expenditures that exceeded appropriations.
- Contrary to **Ohio Revised Code Section 5705.39**, the Township had appropriations that exceeded total estimated resources.
- Contrary to **Ohio Revised Code Section 5705.10**, the Township had negative fund balances.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Scioto Township  
Jackson County  
1021 VanFossen Road  
Jackson, Ohio 45640

To the Board of Trustees:

We have audited the financial statements of Scioto Township, Jackson County Ohio (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 29, 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 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 Controls 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 opinions 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 we identified a certain deficiency in internal control over financial reporting that we consider to be 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 2010-004 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 such an opinion. The results of our tests disclosed several instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2010-001 through 2010-003 and 2010-005.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 29, 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, and the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.



*Charles E. Harris and Associates, Inc.*

July 29, 2011

**SCIOTO TOWNSHIP  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001  
Noncompliance Citation**

Ohio Revised Code Section 5705.41 (D) requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

“Then and Now” Certificate – If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution 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 expenditure by the Township.

Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**SCIOTO TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2010-001  
(Continued)**

Super Blanket Certificate – The Township 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 predicible operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In our testing of 2010 and 2009 expenditures, we noted the following:

- 100% of 2009 and 100% of 2010 expenditures were obligated prior to certification by the Fiscal Officer that funds had been appropriated to meet the obligation;
- In lieu of utilizing actual purchase orders, the Fiscal Officer certified amounts were appropriated to meet the obligations on the voucher jacket;
- Encumbrances (purchase orders) were not written against appropriations in the appropriation ledger, but rather expenditures were written-off directly to appropriations.

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

We recommend the Township certify purchases to which Section 570.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Township Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Township Fiscal Officer should post approved purchase commitments to the proper appropriation code to reduce the available appropriation.

**Township Response:**

Client declined to respond to this finding.

**SCIOTO TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2010 AND 2009**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

**FINDING NUMBER 2010-002  
Noncompliance Citation**

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at the fund level at December 31, 2010:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 58,647	\$ 61,399	\$ (2,752)
Special Revenue Fund			
Motor Vehicle License Tax	15,860	19,188	(3,328)
Road and Bridge	22,975	23,169	(194)

We noted the following funds had expenditures plus encumbrances that exceeded appropriations at the fund level at December 31, 2009:

Fund	Approved Appropriations	Budgetary Expenditures	Variance
General Fund	\$ 85,039	\$ 88,791	\$ (3,752)
Special Revenue Funds:			
Gasoline tax	90,570	92,858	(2,288)
Road & Bridge	23,800	26,467	(2,667)
Fire District	46,000	54,693	(8,693)
Capital Projects Fund			
Permissive Sales Tax	220,015	242,832	(22,817)

Expenditures for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the Township should monitor its financial activity periodically and amend its approved budgets accordingly.

**Township Response:**

The Fiscal Officer will closely monitor expenditures and take appropriate action as needed.

**SCIOTO TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2010 AND 2009**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)**

**FINDING NUMBER 2008-003  
Noncompliance Citation**

**Ohio Rev. Code § 5705.39** provides 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.

We noted the following funds had appropriations that exceeded estimated resources throughout the year and at year end December 31, 2010:

Fund	Estimated Resources	Approved Appropriations	Variance
General Fund	\$ 56,846	\$ 58,647	\$ (1,801)
Special Revenue Fund:			
Cemetery	37,272	37,875	(603)
Capital Projects Fund:			
Permissive Sales Tax	82,634	95,579	(12,945)

We recommend the Fiscal Officer review estimated resources and appropriations to ensure that the appropriations do not exceed the estimated resources.

**Township Response:**

The Fiscal Officer will review estimated resources to ensure that appropriations to not exceed estimated resources.

**SCIOTO TOWNSHIP  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>
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**FINDING NUMBER 2010-004  
Material Weakness**

**Incorrect Accounting Transactions**

During the audit of the Township's financial records for the years ended December 31, 2010 and 2009 we noted a number of transactions incorrectly recorded. The financial statements have been adjusted to present the accounting information correctly and the Township has agreed with the required reclassifications and adjustments. Below is a listing of the various erroneous accounting transactions:

- The Township failed to post several checks to the cash journal during 2010 and 2009;
- The Township failed to post several receipts to the cash journal during 2009 and 2010;

We recommend that the Township closely follow the Ohio Township Handbook and the Ohio Revised Code when recording transactions. We also recommend that the Fiscal Officer contact the Auditor of State for additional guidance as needed.

**Township Response:**

Client declined to respond to this finding.

**FINDING NUMBER 2010-005  
Noncompliance Citation**

**Negative Fund Balance**

**Ohio Revised Code Section 5705.10** prohibits the Township from having negative fund balances. The General, Cemetery, Road and Bridge and Permissive Sales Tax funds were found to have negative cash fund balances at various times throughout the audit period.

**Township Response:**

Client declined to respond to this finding.

SCIOTO TOWNSHIP  
JACKSON COUNTY  
DECEMBER 31, 2010 AND 2009

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Contrary to Ohio Rev. Code Section 5705.41(D), Township did not certify the availability of funds before contracting to procure goods and services.	No	Not Corrected: This is repeated in the Schedule of Findings as item 2010-001.
2008-002	Contrary to Ohio Rev. Code Section 5705.41(B), Township had expenditures in excess of appropriations.	No	Not Corrected: This is repeated in the Schedule of Findings as item 2010-002.
2008-003	Contrary to Ohio Rev. Code Section 5705.36, the Township did not request amended certificates of estimated resources 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.	Yes	Finding no longer valid
2008-004	Contrary to Ohio Rev. Code Section 5705.39, the Township had appropriations in excess of estimated resources.	No	Not Corrected: This is repeated in the Schedule of Findings as item 2010-003.



# Dave Yost • Auditor of State

SCIOTO TOWNSHIP

JACKSON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 18, 2011