



**Auditor of State
Betty Montgomery**

SCIOTO TOWNSHIP
DELAWARE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental and Fiduciary Fund Types – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	18

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Scioto Township
Delaware County
182 North Second Street
Ostrander, Ohio 43061

To the Board of Trustees:

We have audited the accompanying financial statements of Scioto Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 15, 2003

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Non expendable Trust</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>		
Cash Receipts:					
Local Taxes	\$66,687	\$195,967	\$0	\$0	\$262,654
Intergovernmental	53,657	90,248	0	0	143,905
Licenses, Permits, and Fees	5,603	7,251	0	0	12,854
Earnings on Investments	10,960	11,183	467	5	22,615
Other Revenue	2,267	3,900	0	0	6,167
Total Cash Receipts	<u>139,174</u>	<u>308,549</u>	<u>467</u>	<u>5</u>	<u>448,195</u>
Cash Disbursements:					
Current:					
General Government	140,516	0	0	0	140,516
Public Safety	0	147,594	0	0	147,594
Public Works	0	123,029	0	0	123,029
Health	7,617	11,448	0	0	19,065
Conservation - Recreation	39,556	14,122	0	0	53,678
Capital Outlay	88,067	74,430	129,550	0	292,047
Total Cash Disbursements	<u>275,756</u>	<u>370,623</u>	<u>129,550</u>	<u>0</u>	<u>775,929</u>
Total Receipts Over/(Under) Disbursements	<u>(136,582)</u>	<u>(62,074)</u>	<u>(129,083)</u>	<u>5</u>	<u>(327,734)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	0	10,000	0	10,000
Advances-In	0	0	125,000	0	125,000
Transfers-Out	(10,000)	0	0	0	(10,000)
Advances-Out	(125,000)	0	0	0	(125,000)
Total Other Financing Receipts/(Disbursements)	<u>(135,000)</u>	<u>0</u>	<u>135,000</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(271,582)</u>	<u>(62,074)</u>	<u>5,917</u>	<u>5</u>	<u>(327,734)</u>
Fund Cash Balances, January 1	<u>309,167</u>	<u>1,304,000</u>	<u>37,892</u>	<u>1,524</u>	<u>1,652,583</u>
Fund Cash Balances, December 31	<u><u>\$37,585</u></u>	<u><u>\$1,241,926</u></u>	<u><u>\$43,809</u></u>	<u><u>\$1,529</u></u>	<u><u>\$1,324,849</u></u>
Reserve for Encumbrances, December 31	<u><u>\$0</u></u>	<u><u>\$189,737</u></u>	<u><u>\$11,450</u></u>	<u><u>\$0</u></u>	<u><u>\$201,187</u></u>

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Non expendable Trust	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>		
Cash Receipts:					
Local Taxes	\$73,087	\$316,960	\$0	\$0	\$390,047
Intergovernmental	94,050	94,604	0	0	188,654
Licenses, Permits, and Fees	5,700	7,382	0	0	13,082
Earnings on Investments	29,279	28,321	1,111	10	58,721
Other Revenue	12,537	11,507	0	0	24,044
Total Cash Receipts	<u>214,653</u>	<u>458,774</u>	<u>1,111</u>	<u>10</u>	<u>674,548</u>
Cash Disbursements:					
Current:					
General Government	118,361	0	0	0	118,361
Public Safety	0	111,281	0	0	111,281
Public Works	0	136,292	0	0	136,292
Health	20,079	5,183	0	0	25,262
Conservation - Recreation	7,200	0	0	0	7,200
Debt Service:					
Redemption of Principal	78,500	0	0	0	78,500
Interest and Fiscal Charges	1,301	0	0	0	1,301
Capital Outlay	19,501	60,740	0	0	80,241
Total Cash Disbursements	<u>244,942</u>	<u>313,496</u>	<u>0</u>	<u>0</u>	<u>558,438</u>
Total Receipts Over/(Under) Disbursements	<u>(30,289)</u>	<u>145,278</u>	<u>1,111</u>	<u>10</u>	<u>116,110</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(30,289)</u>	<u>145,278</u>	<u>1,111</u>	<u>10</u>	<u>116,110</u>
Fund Cash Balances, January 1	<u>339,456</u>	<u>1,158,722</u>	<u>36,781</u>	<u>1,514</u>	<u>1,536,473</u>
Fund Cash Balances, December 31	<u><u>\$309,167</u></u>	<u><u>\$1,304,000</u></u>	<u><u>\$37,892</u></u>	<u><u>\$1,524</u></u>	<u><u>\$1,652,583</u></u>
Reserve for Encumbrances, December 31	<u><u>\$66,135</u></u>	<u><u>\$190,332</u></u>	<u><u>\$5,000</u></u>	<u><u>\$0</u></u>	<u><u>\$261,467</u></u>

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Scioto Township, Delaware County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. 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 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).

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

C. Cash and Investments

Investments are reported as assets. 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.

Certificates of deposit and repurchase agreements are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Funds

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

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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 money for operating the Township fire department.

Road and Bridge Levy - This fund receives property tax money in excess of the ten-mil limitation for constructing, maintaining and repairing Township roads and bridges.

3. 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:

Bond Fund - The Township will account for the construction of a new fire house/community center.

4. Fiduciary Funds (Trust)

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Township did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	(\$66,610)	\$360,329
Certificates of deposit	100,978	100,936
Total deposits	<u>34,368</u>	<u>461,265</u>
STAR Ohio	1,075,419	1,056,318
Repurchase agreement	215,062	135,000
Total investments	<u>1,290,481</u>	<u>1,191,318</u>
Total deposits and investments	<u>\$1,324,849</u>	<u>\$1,652,583</u>

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$139,174	\$139,174
Special Revenue	0	308,549	308,549
Capital Projects	0	10,467	10,467
Fiduciary	0	5	5
Total	<u>\$0</u>	<u>\$458,195</u>	<u>\$458,195</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$426,635	\$285,756	\$140,879
Special Revenue	3,245,332	560,360	2,684,972
Capital Projects	81,000	141,000	(60,000)
Fiduciary	0	0	0
Total	<u>\$3,752,967</u>	<u>\$987,116</u>	<u>\$2,765,851</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$214,653	\$214,653
Special Revenue	0	458,774	458,774
Capital Projects	0	1,111	1,111
Fiduciary	0	10	10
Total	<u>\$0</u>	<u>\$674,548</u>	<u>\$674,548</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$450,250	\$311,077	\$139,173
Special Revenue	1,470,068	503,828	966,240
Capital Projects	36,780	5,000	31,780
Fiduciary	0	0	0
Total	<u>\$1,957,098</u>	<u>\$819,905</u>	<u>\$1,137,193</u>

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

Contrary to Ohio law:

- Budgetary expenditures exceeded appropriation authority at the legal level of control for the general fund in four accounts at the fund/function/object level ranging from \$10,000 to \$24,257, the special revenue fire fund by \$36,972 and capital projects bond fund by \$141,000.
- The Township did not certify available resources to the County Auditor for 2002 or 2001. Although certifications were made during 2003, all appropriations exceeded estimated resources for both years.
- Homestead and rollback receipts derived from special levies in the amount of \$23,657 for 2002 and \$32,933 for 2001 were improperly credited to the general fund. Township records have been adjusted to properly credit special revenue funds and the adjustments are reflected within the financial statements.
- A formal resolution of the taxing authority was not passed approving the advance of \$125,000 from the general fund to the capital projects funds. The Board of Trustees has retroactively approved the advance.
- The Township did not competitively bid the 2001 purchase of a new back hoe at a cost of \$43,594.

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

Township employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a 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. Volunteer fire fighters who chose not to participate in PERS contribute to Social Security.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

7. SUBSEQUENT EVENTS

The Township issued long term capital acquisition notes in the amount of \$1,603,000 on March 18, 2003 for the construction of a new fire house/community center.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Scioto Township
Delaware County
182 North Second Street
Ostrander, Ohio 43061

To the Board of Trustees:

We have audited the accompanying financial statements of Scioto Township, Delaware County, Ohio (the Township) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated August 15, 2003. 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.

Compliance

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 grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-009 and 2002-010.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely manner by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2002-009 and 2002-010 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated August 15, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 15, 2003

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-001

**Noncompliance Citation
Certification of Obligations**

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - 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 order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

- B. Amounts of less than \$1,000, (\$3,000 effective April 7, 2003) may be paid by the fiscal officer without such affirmation of the Board upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

32 out of the 48 transactions tested for 2002 and 21 out of the 46 transactions tested for 2001 were not certified by the Clerk prior to the commitment being incurred, nor were they certified using a then-and-now certification. This budgetary procedure is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board.

Finding Number 2002-002

**Noncompliance Citation
Certification of Tax Levies**

Ohio Rev. Code Section 5705.34 states that each taxing authority is to pass an ordinance or resolution to authorize the necessary tax levies. Each such authority is to certify the levies to the county auditor before October 1st, unless a later date is approved by the tax commissioner.

The resolution for 2002 was not passed and certified until November 16, 2002 and did not indicate that the tax levies in excess of the ten-mil limitation were approved by a vote of the people. The Township did not pass a resolution authorizing the necessary tax levies and certifying them to the County Auditor for 2001.

The County Auditor withheld tax and intergovernmental payments belonging to the Township due to its failure to certify the necessary tax rates. We recommend that the Township establish procedures to ensure that tax levies are accepted and certified in accordance with the Ohio Revised Code and that all necessary information is included on the certification.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

Finding Number 2002-003

**Noncompliance Citation
Certification of Available Resources**

Ohio Rev. Code Section 5705.36 states that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. However, the principal of a nonexpendable trust fund and any addition to the principal arising from sources other than the reinvestment of investment earnings to the fund that has been established for receiving donations and/or contributions pursuant to Ohio Rev. Code § 5705.131 must be excluded from the amount of unencumbered balances that are certified.

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue, as certified by the county budget commission.

The Township did not certify available sources until April 30, 2003 for 2002 and February 3, 2003 for 2001. The County Auditor withheld tax and intergovernmental payments belonging to the Township due to its failure to certify available resources. The balances certified for 2002 and 2001 were not accurate and the Township did not exclude the principal of the nonexpendable trust funds.

As the Township did not certify available balances or receive a certificate of estimated resources until after 2002 and 2001, all appropriations exceeded estimated resources during 2002 and 2001.

We recommend that the Township establish procedures to ensure that available resources are certified in a timely manner and that the balances certified are accurate. We also recommend that the principal of the nonexpendable trust funds be excluded from future certifications.

Finding Number 2002-004

**Noncompliance Citation
Expenditures in Excess of Appropriations**

ORC section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

Finding Number 2002-004 (Continued)

**Noncompliance Citation (Continued)
Expenditures in Excess of Appropriations (Continued)**

At December 31, 2002 expenditures exceeded appropriations at the legal level of control in the following funds.

2002 at legal level of control:

Fund/Fund Type	Line Item	Appropriated	Expended	Variance
General Fund	1000-110-221	\$15,000	\$25,000	(\$10,000)
General Fund	1000-110-599	\$138,000	\$162,257	(\$24,257)
General Fund	1000-610-599	\$0	\$21,000	(\$21,000)
General Fund	1000-910-910	\$0	\$10,000	(\$10,000)
Fire/Special Rev.	2191-220-599	\$10,000	\$46,972	(\$36,972)
Bond/Capital Proj.	4101-760-360	\$0	\$141,000	(\$141,000)

We recommend that the Township amend or supplement appropriations as needed following the requirements of the Ohio Revised Code.

FINDING NUMBER 2002-005

**Noncompliance Citation
Distribution of Revenue**

Ohio Rev. Code Section 5705.10 states, in part, that:

- All revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.
- All revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Homestead and rollback receipts derived from special levies in the amount of \$23,657 for 2002 and \$32,933 for 2001 were improperly credited to the general fund. The Township has adjusted its records to properly credit \$20,797 to the fire fund, and \$2,860 to the road and bridge levy fund for 2002 and \$19,725 to the fire fund, \$2,702 to the road and bridge fund, and \$10,506 to the road and bridge levy fund for 2001. These adjustments are reflected within the financial statements.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-006

**Noncompliance Citation
Advances**

There are no statutory provisions that directly address inter-fund advances. Ohio Rev. Code Sections 5705.10, 5705.14, 5705.15, 5705.16, 5705.36, 5705.39, and 5705.41, however, when read together, provide requirements for the recording and permissible uses of advances. In addition, Auditor of State Bulletin 97-003 sets forth further guidance for recording inter-fund advances and specifically states that inter-fund cash advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:

- a specific statement that the transaction is an advance of cash, and
- an indication of the money (fund) from which it is expected that repayment will be made.

The Board of Trustees did not pass a resolution authorizing the \$125,000 advance made from the general fund to the capital projects fund. The Board subsequently approved the advance on September 10, 2003.

We recommend that the Township establish procedures to help ensure that advances and transfers are in accordance with applicable requirements and that only approved transactions are executed.

FINDING NUMBER 2002-007

**Noncompliance Citation
Competitive Bidding**

Ohio Rev. Code Section 5549.21 states that competitive bidding procedures for Township's are required for the purchase of materials, machinery and tools to be used in constructing, maintaining and repairing roads and culverts, where the amount involved exceeds \$15,000.

The Township did not competitively bid the 2001 purchase of a new back hoe at a cost of \$43,594 and 2002 purchases of a shelter house and playground equipment for the park at costs of \$ 19,769 and \$ 27,097 respectively. We recommend that the Township follow competitive bidding procedures as required.

FINDING NUMBER 2002-008

**Noncompliance Citation
Establishment of Funds**

Ohio Rev. Code Section 5705.09 states, in part, that each subdivision is required to establish 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.

The Township received a \$14,122 Ohio Department of Natural Resources (ODNR) state grant during 2002. The grant agreement states that the funds are to be used specifically for park improvements and that the Township shall establish a separate special account for the funds. The grant receipts were improperly credited to the general fund and a special revenue fund was not established for the grant. The Township has adjusted its records to properly credit \$14,122 to the special revenue fund. This adjustment is reflected within the financial statements.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-009

**Material Weakness
Monitoring Controls**

Monitoring comprises regular management and supervisory activities established to oversee whether management's financial objectives are being achieved. Monitoring controls generally pertain to the analysis of reports produced by the accounting system. Data from such reports may indirectly provide assurance as to the reliability of financial reporting information.

No evidence was noted to indicate the Board of Trustees are receiving and reviewing periodic financial reports produced by the Township's accounting system, book to bank reconciliations or other comparable documents.

On a monthly basis the Board should monitor the activity of the Township to identify unusual or unexpected fluctuations in the Township's activity. Bank reconciliations and monthly fund balance reports from the accounting system should be provided to the Board to help ensure the Township's records are reconciled and that all transactions have been entered.

FINDING NUMBER 2002-010

**Material Weakness
Posting Transactions and Performing Reconciliations**

The Township issued manual checks during the entire audit period and check numbers entered into the Uniform Accounting Network (UAN) system did not correspond with the actual number on the check. Information for 2001 was not entered into the accounting system until February of 2003 and 2002 information was not entered until April of 2003. Bank reconciliations were not performed until the information was entered as stated previously. We also noted that the Township did not properly classify all disbursements, including payroll disbursements.

In addition, the Township did not accurately post estimated receipts and appropriations to the accounting system. The Township posted \$33,173 and \$64,634 less than the official certificate of estimated resources for the general fund and special revenue funds respectively for 2001. For 2002 the Township posted \$44,521 less than the official certificate of estimated resources for the general fund and \$5,370 more for the special revenue funds. During 2002 the Township posted \$101,244 more in appropriations than the appropriation resolution for the general fund, \$1,645,681 less for the special revenue funds, \$1,337,000 more for the capital projects funds and \$138,164 more for the debt service fund.

By not processing and reconciling transactions through the accounting system in a timely manner and ensuring that all information entered into the system is complete and accurate errors or misallocation of funds can go undetected. Also, failure to post amounts adopted by the legislative body may result in expenditure activity not in accordance with the Board's guidelines and also hinders effective monitoring of the budget by management and the Board.

We recommend that the Township process and reconcile all transactions through the UAN system and that all related information be properly and accurately posted. The Township should post estimated receipts, as certified by the Budget Commission, to the Township's ledger. We also recommend appropriations be posted to the appropriation ledger only as approved by the Board.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40621-001	Township did not encumber in accordance with ORC 5705.41(D)	Not Corrected	Finding has been reissued.
2000-40621-002	Township did not competitively bid in accordance with ORC 5549.21	No Corrected	Finding has been reissued.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SCIOTO TOWNSHIP

DELAWARE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2003**