



**Auditor of State  
Betty Montgomery**



SCOTT TOWNSHIP  
ADAMS COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Scott Township  
Adams County  
163 Old State Route 32  
Seaman, Ohio 45679

To the Board of Trustees:

We have audited the accompanying financial statements of Scott Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Governmental Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Governmental Auditing Standards* permits the Auditor of State to provide UAN services, and Ohio Revised Code, Section 117.11(B) and 115.56, mandate the Auditor of State to audit Ohio governments.

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, 2003 and 2002, 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 January 20, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

This report is intended solely for the information and use of the Audit Committee, Board of Trustees 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

January 20, 2005

**SCOTT TOWNSHIP  
ADAMS COUNTY**

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

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 9,815	\$ 91,747	\$0	\$0	\$ 101,562
Intergovernmental	20,861	128,486	40,000		189,347
Charges for Services					-
Earnings on Investments	615	1,230	2,452	174	4,471
Other Revenue	<u>36</u>	<u>946</u>	<u>          </u>	<u>          </u>	<u>982</u>
 Total Cash Receipts	 <u>31,327</u>	 <u>222,409</u>	 <u>42,452</u>	 <u>174</u>	 <u>296,362</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	21,846	1,217			23,063
Public Safety		33,828			33,828
Public Works	2,202	113,441			115,643
Health	2,972	10,602			13,574
Supplies and Materials					-
Capital Outlay	<u>          </u>	<u>96,813</u>	<u>247,276</u>	<u>          </u>	<u>344,089</u>
 Total Cash Disbursements	 <u>27,020</u>	 <u>255,901</u>	 <u>247,276</u>	 <u>-</u>	 <u>530,197</u>
 Total Receipts Over/(Under) Disbursements	 <u>4,307</u>	 <u>(33,492)</u>	 <u>(204,824)</u>	 <u>174</u>	 <u>(233,835)</u>
<b>Other Financing Receipts:</b>					
Other Financing Sources		305			305
Debt Proceeds			52,000		52,000
Other Financing Uses	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>-</u>
 Total Other Financing Receipts	 0	 305	 52,000	 0	 52,305
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	 4,307	 (33,187)	 (152,824)	 174	 (181,530)
 Fund Cash Balances, January 1	 <u>15,462</u>	 <u>123,179</u>	 <u>152,824</u>	 <u>5,489</u>	 <u>296,954</u>
 <b>Fund Cash Balances, December 31</b>	 <b><u>\$ 19,769</u></b>	 <b><u>\$ 89,992</u></b>	 <b><u>\$ -</u></b>	 <b><u>\$ 5,663</u></b>	 <b><u>\$ 115,424</u></b>
 Reserve for Encumbrances, December 31	 <u>\$0</u>	 <u>\$4,970</u>	 <u>\$0</u>	 <u>\$0</u>	 <u>\$4,970</u>

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

**SCOTT TOWNSHIP  
ADAMS COUNTY**

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

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonexpendable Trust</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$ 9,562	\$ 90,642	\$0	\$0	\$ 100,204
Intergovernmental	20,600	76,958			97,558
Charges for Services		6,000			6,000
Earnings on Investments	622	1,244	5,134	325	7,325
Other Revenue	518	4,827			5,345
	<u>31,302</u>	<u>179,671</u>	<u>5,134</u>	<u>325</u>	<u>216,432</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	29,340				29,340
Public Safety		31,004			31,004
Public Works	10,946	70,780			81,726
Health	3,000	9,957			12,957
Supplies and Materials					-
Capital Outlay		22,790			22,790
	<u>43,286</u>	<u>134,531</u>	<u>-</u>	<u>-</u>	<u>177,817</u>
<b>Total Cash Disbursements</b>					
Total Receipts Over/(Under) Disbursements	<u>(11,984)</u>	<u>45,140</u>	<u>5,134</u>	<u>325</u>	<u>38,615</u>
Fund Cash Balances, January 1	<u>27,446</u>	<u>78,039</u>	<u>147,690</u>	<u>5,164</u>	<u>258,339</u>
<b>Fund Cash Balances, December 31</b>	<b>\$ 15,462</b>	<b>\$ 123,179</b>	<b>\$ 152,824</b>	<b>\$ 5,489</b>	<b>\$ 296,954</b>

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



**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Scott Township, Adams 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 Deposits**

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

**D. Fund Accounting**

The Township uses fund accounting to segregate cash 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:

Gasoline Tax Fund -This fund receives gasoline tax money to construct, maintain and repair Township roads.

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

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

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

**3. Capital Project 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).

**4. Fiduciary Fund (Nonexpendable Trust Fund)**

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund, except the nonexpendable trust 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 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber certain commitments required by Ohio law.

A summary of 2003 and 2002 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.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH DEPOSITS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$110,424	\$291,954
Certificates of deposit	<u>5,000</u>	<u>5,000</u>
Total Deposits	<u>\$115,424</u>	<u>\$296,954</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$27,417	\$31,327	3,910
Special Revenue	228,719	222,714	(6,005)
Capital Projects	52,020	94,452	42,432
Fiduciary	<u>260</u>	<u>174</u>	<u>(86)</u>
Total	<u>\$308,416</u>	<u>\$348,667</u>	<u>\$40,251</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$44,000	\$27,020	\$16,980
Special Revenue	308,516	260,871	47,645
Capital Projects	150,000	247,276	(97,276)
Fiduciary	<u>575</u>	<u>0</u>	<u>575</u>
Total	<u>\$503,091</u>	<u>\$535,167</u>	<u>\$(32,076)</u>

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,279	\$31,302	\$1,023
Special Revenue	198,283	179,671	(18,612)
Capital Projects	0	5,134	5,134
Fiduciary	<u>0</u>	<u>325</u>	<u>325</u>
Total	<u>\$228,562</u>	<u>\$216,432</u>	<u>\$(12,130)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$66,000	\$43,286	\$22,714
Special Revenue	241,250	134,531	106,719
Capital Projects	147,690	0	147,690
Fiduciary	<u>424</u>	<u>0</u>	<u>424</u>
Total	<u>\$455,364</u>	<u>\$177,817</u>	<u>\$277,547</u>

Expenditures exceeded appropriations by \$97,276 in the Fire House Capital Project Fund and by \$3,142 in the Fire District Fund in 2003.

**4. DEBT**

On December 2, 2003 Scott Township issued a \$175,000 Fire House Bond which was purchased by First State Bank of Adams County. The bond was issued to help finance the construction of a new fire house. The proceeds from this bond were not paid to the Township upon issuance of the bonds instead amounts were obtained by the Township from the bank on a draw basis, with the Township drawing the funds as needed. As of December 31, 2003, only \$52,000 was drawn for use, no debt service payments were made until 2004. During 2004 the project was completed, drawing a total of \$127,955, the last draw being made on March 30, 2004.

The bond called for 4% interest to be paid. This rate was charged on the outstanding amount as the draws were made and will be charged on the remaining schedule of the debt. The bond schedule called for a 10 year payout, however, with the reduced amount drawn, the First State Bank of Adams County provided a revised amortization schedule based on the actual amount borrowed, the revised amortization schedule (\$127,955) results in the debt being paid off in approximately 8 years.

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

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. DEBT (Continued)**

Year ending December 31:	Bond
2004	21,904
2005	21,918
2006	21,218
2007	20,518
2008	19,825
2009	19,118
2010	18,418
2011	<u>5,673</u>
Total	<u>\$148,592</u>

**5. LEASE**

In 2003 the Township entered into a lease to purchase road equipment. The capital lease outstanding at December 31, 2003 was as follows:

Ford Tractor

Principal	Interest
23,924	2,907

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

Year ending December 31:	
2004	6,708
2005	6,708
2006	6,708
2007	<u>6,707</u>
Total	<u>\$26,831</u>

**6. 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.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RETIREMENT SYSTEMS**

The Township's elected officials and part time employee 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002 members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of PERS participants' gross salaries for 2003 and 2002. The Township has paid all contributions required through December 31, 2003, however the employer share was not paid timely.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

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

Property Coverage

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

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

SCOTT TOWNSHIP  
ADAMS COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)

8. RISK MANAGEMENT (Continued)

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:

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

The Township also contracts with a private carrier to provide health, life, and cancer insurance for eligible elected officials who accept the coverage.

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## **Auditor of State Betty Montgomery**

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

Scott Township  
Adams County  
163 Old State Route 32  
Seaman, Ohio 45679

To the Board of Trustees:

We have audited the accompanying financial statements of Scott Township, Adams County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated January 20, 2005, wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Governmental Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 directly and materially affect 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 2003-002 through 2003-003. However we noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated January 20, 2005.

#### **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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-003.

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 period 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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, conditions described above are not material weaknesses.

We also noted other matters involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated January 20, 2005.

This report is intended solely for the information and use of the audit committee, management and the Board of Township 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

January 20, 2005

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Reportable Condition - Debt**

On December 2, 2003, Scott Township issued a bond for fire house construction, this bond was issued for \$175,000 and was subsequently sold to the First State Bank of Adams County. This bond was to be repaid over 10 years with interest payments, made semiannually and principle, paid annually.

Upon issuance of the bonds, the Township did not receive the \$175,000 in one lump sum from the bank, instead the Township and bank arranged a "line of credit" in the amount of \$175,000 from which the Township could draw funds as needed for payments for this project.

Moreover, the Township did not draw the entire \$175,000 but used only \$127,955 as of July 12, 2004 when the project was completed. Per the bank, without a change in the legal agreement, the remaining amount on the line of credit is still available for use. However from discussions with the Township, they are finished with this project and do not plan on drawing any additional funds on this line of credit.

Since the original amortization schedule provided by the bond counsel upon issuance of these bonds was designed for full repayment of the \$175,000, the schedule that the Township had to rely upon for making debt repayments was not accurate. This could have resulted in the Township making debt repayments to the First State Bank of Adams County in excess of what the required amounts were. A revised amortization schedule was requested by the auditors from the bank for the Township's use to determine that requirements for budgeting and appropriating of funds for future payments are met.

We recommend the Trustees review the revised amortization schedule to obtain an understanding of required payments and monitor carefully this information in the future to assure they have not overpaid the bank. Additionally they can use the bank's amortization schedule to adequately plan and budget to provide adequate cash flows to make payments in the future.

**FINDING NUMBER 2003-002**

**Material Noncompliance**

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. At December 31, 2003, the Fire House Capital Project Fund expenditures exceeded appropriations by \$97,276. Expenditures in excess of appropriations resulted from the Township not appropriately monitoring budgetary expenditures as compared to appropriations and could have resulted in the Township expending funds illegally. When appropriations are not available, the Clerk should not certify the availability of funds and should deny payment requests. The Clerk may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

### FINDING NUMBER 2003-003

#### Noncompliance Citation / Reportable Condition

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

This section also provides 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 appropriated and free of any previous encumbrances at the time the contract or order was made and at the time the certification was completed, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars (three thousand dollars effective April 7, 2003); the fiscal officer may authorize it to be paid without the affirmation of Board of Trustees, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds was not certified for 20% of expenditures tested for fiscal year 2003 and 2002. It was also noted that 10% of the items tested which were certified by a then and now certificate were not authorized by a separate resolution and were over the above amount limits requiring special authorization.

Additionally, a search for unrecorded commitments at December 31, 2002 and 2003, discovered that the Gas and Fire Fund had obligations of \$2,492 and \$2,478 at the end of 2003, which were not properly encumbered. These amounts have been adjusted on the financial statements and in the budgetary footnote.

Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. We recommend the Township obtain approved purchase orders, which contain the proper certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

**SCOTT TOWNSHIP  
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003 AND 2002**

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>
2001-003	Prior certification of funds	No	Not Corrected. Repeat as Finding 2003-003
2001-001	Expenditures exceeding appropriations	No	Not Corrected. Repeat as Finding 2003-002
2001-002	Appropriations exceeded estimated resources	Yes	
2001-004	Trustee salary allocation	Yes	





**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**SCOTT TOWNSHIP**

**ADAMS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2005**