

SCIOTO TOWNSHIP
DELAWARE COUNTY, OHIO

Financial Statements
December 31, 2006 and 2005

Wolf, Rogers, Dickey & Co.
Certified Public Accountants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Scioto Township
3737 Ostrander Road
Ostrander, Ohio 43061

We have reviewed the *Independent Auditors' Report* of Scioto Township, Delaware County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 11, 2007

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Scioto Township
Delaware County, Ohio

For the Years Ended
December 31, 2006 and 2005

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Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Delaware, Ohio 43015-0352

Telephone: 740-362-9031
Fax: 740-363-7799

Independent Auditors' Report

Scioto Township
Delaware County, Ohio

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, 2006 and 2005. 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 of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity-wide statements and also to present its larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or their 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 and reserves for encumbrances of Scioto Township, Delaware County, Ohio as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The accompanying financial statements have been prepared assuming that the Township will continue as a going concern. As discussed in Note 9 to the financial statements, the Township has suffered recurring net losses and has deficit balances in three funds, including the General Fund. These conditions raise substantial doubt about the Township's ability to continue as a going concern. Management's plans regarding those matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 6, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

July 6, 2007

Scioto Township
Delaware County, Ohio
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, 2006

	<u>Governmental Fund Types</u>				Fiduciary Fund	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	Non- Expendable Trusts	
Cash receipts:						
Local taxes	\$ 102,736	260,539	67,808	-	-	431,083
Intergovernmental	88,540	134,485	7,880	-	-	230,905
Licenses, permits and fees	4,670	10,846	-	-	-	15,516
Earnings on investments	27,939	18,030	-	5,638	-	51,607
Other revenue	<u>9,478</u>	<u>9,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,113</u>
Total cash receipts	<u>233,363</u>	<u>433,535</u>	<u>75,688</u>	<u>5,638</u>	<u>-</u>	<u>748,224</u>
Cash disbursements:						
Current:						
General government	196,217	-	-	-	-	196,217
Public works	-	181,041	-	-	-	181,041
Public safety	-	162,179	-	-	-	162,179
Health	2,724	24,144	-	-	-	26,868
Conservation – recreation	30,417	-	-	-	-	30,417
Debt service:						
Redemption of principal	-	-	45,000	-	-	45,000
Interest and fiscal charges	-	-	73,973	-	-	73,973
Capital outlay	<u>2,050</u>	<u>103,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,730</u>
Total cash disbursements	<u>231,408</u>	<u>471,044</u>	<u>118,973</u>	<u>-</u>	<u>-</u>	<u>821,425</u>
Total receipts over (under) disbursements	1,955	(37,509)	(43,285)	5,638	-	(73,201)
Other receipts (disbursements):						
Transfers in	-	629	886	-	-	1,515
Transfers out	(1,515)	-	-	-	-	(1,515)
Other financing uses	<u>(1,030)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,030)</u>
Net other receipts (disbursements)	<u>(2,545)</u>	<u>629</u>	<u>886</u>	<u>-</u>	<u>-</u>	<u>(1,030)</u>
Total receipts over (under) disbursements	(590)	(36,880)	(42,399)	5,638	-	(74,231)
Fund cash balances, January 1	<u>(23,923)</u>	<u>1,152,561</u>	<u>33,963</u>	<u>(84,973)</u>	<u>1,579</u>	<u>1,079,207</u>
Fund cash balances, December 31	\$ <u>(24,513)</u>	<u>1,115,681</u>	<u>(8,436)</u>	<u>(79,335)</u>	<u>1,579</u>	<u>1,004,976</u>
Reserve for encumbrances	\$ <u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>

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

Scioto Township
Delaware County, Ohio
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, 2005

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Non- Expendable Trusts	
Cash receipts:						
Local taxes	\$ 92,270	254,719	110,512	-	-	457,501
Intergovernmental	50,303	117,790	6,186	-	-	174,279
Licenses, permits and fees	9,132	9,079	-	-	-	18,211
Earnings on investments	19,638	12,697	-	3,439	15	35,789
Other revenue	<u>1,436</u>	<u>13,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,063</u>
Total cash receipts	<u>172,779</u>	<u>407,912</u>	<u>116,698</u>	<u>3,439</u>	<u>15</u>	<u>700,843</u>
Cash disbursements:						
Current:						
General government	160,913	-	-	-	-	160,913
Public safety	-	166,560	-	-	-	166,560
Public works	-	284,911	-	-	-	284,911
Health	1,397	17,948	-	-	-	19,345
Conservation – recreation	19,149	-	-	-	-	19,149
Debt service:						
Redemption of principal	-	-	45,000	-	-	45,000
Interest and fiscal charges	-	-	75,700	-	-	75,700
Capital outlay	<u>-</u>	<u>25,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,398</u>
Total cash disbursements	<u>181,459</u>	<u>494,817</u>	<u>120,700</u>	<u>-</u>	<u>-</u>	<u>796,976</u>
Total receipts over (under) disbursements	(8,680)	(86,905)	(4,002)	3,439	15	(96,133)
Other receipts (disbursements):						
Transfers in	-	16,555	10,434	-	-	26,989
Transfers out	(26,989)	-	-	-	-	(26,989)
Other financing uses	<u>(1,658)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,658)</u>
Net other receipts (disbursements)	<u>(28,647)</u>	<u>16,555</u>	<u>10,434</u>	<u>-</u>	<u>-</u>	<u>(1,658)</u>
Total receipts over (under) disbursements	(37,327)	(70,350)	6,432	3,439	15	(97,791)
Fund cash balances, January 1	<u>13,404</u>	<u>1,222,911</u>	<u>27,531</u>	<u>(88,412)</u>	<u>1,564</u>	<u>1,176,998</u>
Fund cash balances, December 31	\$ <u>(23,923)</u>	<u>1,152,561</u>	<u>33,963</u>	<u>(84,973)</u>	<u>1,579</u>	<u>1,079,207</u>
Reserve for encumbrances	\$ <u>795</u>	<u>9,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,977</u>

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

Scioto Township
Delaware County, Ohio
Notes to the Financial Statements
December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies

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 and cemetery maintenance. The Township contracts with the Delaware County Sheriff's Department to provide security of persons and property.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

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 are valued at cost.

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:

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.

Scioto Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, continued

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 pay for constructing, maintaining and repairing Township roads.

Fire District Fund – This fund receives tax money from a special fire levy for covering the cost of fire protection.

Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

General Bond Retirement Fund – This fund receives tax money earmarked to retire the bonded debt associated with the construction of the fire house.

Capital Project Fund

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 Project Fund:

Bond Fund – The Township accounted for the construction of a new fire house/community center.

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.

Budgetary Process

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

Scioto Township
 Delaware County, Ohio
 Notes to the Financial Statements, continued
 December 31, 2006 and 2005

(1) Summary of Significant Accounting Policies, continued

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

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.

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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.

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 Investments

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 and investments at December 31 was as follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 82,498	199,166
STAR Ohio	814,143	775,446
Certificates of deposit	<u>108,335</u>	<u>104,595</u>
 Total deposits and investments	 \$ <u>1,004,976</u>	 <u>1,079,207</u>

Scioto Township
 Delaware County, Ohio
 Notes to the Financial Statements, continued
 December 31, 2006 and 2005

(2) Equity in Pooled Cash and Investments, continued

Demand deposits and certificates of deposit are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool. Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

(3) Budgetary Activity

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General	\$ 172,945	233,363	60,418
Special revenue	365,408	434,164	68,756
Debt service	70,635	76,574	5,939
Capital projects	<u> -</u>	<u> 5,638</u>	<u> 5,638</u>
Total	\$ <u>608,988</u>	<u>749,739</u>	<u>140,751</u>

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General	\$ 252,950	234,953	17,997
Special revenue	632,440	471,044	161,396
Debt service	<u>120,700</u>	<u>118,973</u>	<u> 1,727</u>
Total	\$ <u>1,006,090</u>	<u>824,970</u>	<u>181,120</u>

Scioto Township
 Delaware County, Ohio
 Notes to the Financial Statements, continued
 December 31, 2006 and 2005

(3) Budgetary Activity, continued

<u>2005 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 238,050	172,779	(65,271)
Special revenue	457,103	424,467	(32,636)
Debt service	120,409	127,132	6,723
Capital projects	-	3,439	3,439
Non-expendable trust	<u>-</u>	<u>15</u>	<u>15</u>
Total	\$ <u>815,562</u>	<u>727,832</u>	<u>(87,730)</u>

<u>2005 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 331,900	210,901	120,999
Special revenue	806,660	503,999	302,661
Debt service	120,700	120,700	-
Capital projects	67,000	-	67,000
Non-expendable trust	<u>1,565</u>	<u>-</u>	<u>1,565</u>
Total	\$ <u>1,327,825</u>	<u>835,600</u>	<u>492,225</u>

Contrary to Ohio law, appropriations in the original permanent appropriations measure for 2006 exceeded estimated resources by \$38,423 in the General Fund, \$237,337 in the Road and Bridge Fund, \$2,880 in the Cemetery Fund and \$10,333 in the Debt Service Fund. Amended appropriations for 2006 filed in October exceeded estimated resources by \$52,788 in the Road and Bridge Fund and \$2,880 in the Cemetery Fund.

Contrary to Ohio law, actual expenditures in 2005 exceeded appropriations by \$27,081 in the Gasoline Tax Fund.

(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 of Ohio, 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.

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.

Scioto Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(5) Debt

In December 2003, the Township issued Capital Facilities Bonds in the amount of \$1,600,000, consisting of \$1,000,000 Serial Bonds and \$600,000 Term Bonds. The bonds shall mature in the principal amounts and shall bear interest at the rates per annum as follows: 2013 - \$600,000 bearing interest at 4.00%, each succeeding year from 2014 through 2023 - \$100,000 per year bearing interest at 5.25%.

The bonds maturing in 2013 shall be term bonds and shall be subject to mandatory sinking fund redemption as follows: 2007 and 2008 - \$50,000 per year; 2009 - \$55,000; 2010 - \$60,000; 2011 and 2012 - \$75,000 per year and 2013 - \$100,000.

The bonds maturing on or after 2014 are subject to prior redemption on or after December 1, 2013, by and at the sole option of the Township, in integral multiples of \$5,000, at par plus accrued interest to the redemption date. In no event shall any redemption cause any bonds to be outstanding in a denomination which is less than \$100,000.

(6) Retirement Systems

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. These plans provide 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 2006 and 2005, PERS members contributed 9% and 8.5% of their gross salaries, respectively, while the Township contributed 13.7% and 13.55% of participants' gross salaries, respectively. The Township has paid all contributions required through December 31, 2006. The Township had a credit balance of approximately \$8,000 at December 31, 2006.

(7) Risk Management

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Scioto Township
 Delaware County, Ohio
 Notes to the Financial Statements, continued
 December 31, 2006 and 2005

(7) Risk Management, continued

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	(2,748,639)	(2,227,808)
Members' Equity	\$ <u>5,470,791</u>	\$ <u>4,457,714</u>

You can read the completed audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

(8) Lease Agreement

In 2005, the Township entered into a master lease purchase agreement for firefighting equipment, which expires on February 23, 2010. Terms of the lease require annual lease payments of \$62,781, including principle and interest at 4.1% beginning in February 2006. Lease payments made shall be credited toward the purchase price.

(9) Going Concern

Township expenses have exceeded revenues each year from 2004 through 2006, and are expected to exceed revenues for 2007. In addition, fund balance adjustments resulting from the last two audits have not been posted to the Township's Uniform Accounting Network (accounting system). As a result, the General, Capital Projects and Debt Service Funds have deficit balances at the end of 2006.

While the Township is in a positive cash balance position, most of the cash is in the Fire District Fund and road funds. The use of monies in these funds is limited either by statute or by levy ballot language and therefore, the Township is not permitted to use these monies to remedy the deficit balances.

Based on information currently available, it appears that the Capital Projects and Debt Service Funds will remain in deficit balances at the end of 2007. Additionally, substantial reductions in planned General Fund expenditures would be required for the Township to remedy the deficit balance in the General Fund by the end of 2007.

Scioto Township
Delaware County, Ohio
Notes to the Financial Statements, continued
December 31, 2006 and 2005

(9) Going Concern, continued

These factors raise substantial doubt about the Township's ability to continue as a going concern.

Remedial efforts by the Township are underway, including reducing planned expenditures. Township officials plan to seek assistance from the Local Government Services (LGS) division of the Auditor of State of Ohio office. The Auditor of State has various remedies available to it, the most severe of which include placing the Township on fiscal watch or fiscal emergency. The Township does not know if such action will be taken.

The accompanying financial statements do not include any adjustments that might be necessary if the Township is unable to continue as a going concern.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants
38 South Franklin Street
P. O. Box 352
Delaware, Ohio 43015-0352

Telephone: 740-362-9031
Fax: 740-363-7799

Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Scioto Township
Delaware County, Ohio

To the Board of Trustees:

We have audited the financial statements of Scioto Township, Delaware County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated July 6, 2007, wherein we noted the Township followed accounting practices the Auditor of State of Ohio 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 Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be considered significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that a misstatement of the Township's financial

Internal Control Over Financial Reporting, continued

statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

We consider the following deficiencies in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-01 and 2006-05. In a separate letter to the Township's management dated July 6, 2007, we reported other matters involving internal controls over financial reporting that we did not deem significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2006-01 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-01 to 2006-03, 2006-04 and 2006-06 to 2006-08.

We noted certain noncompliance or other matters not requiring inclusion in this report that we reported to management of the Township in a separate letter dated July 6, 2007.

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.

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

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

July 6, 2007

Scioto Township
Delaware County, Ohio
Schedule of Findings
December 31, 2006 and 2005

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2006-01

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue.

Appropriations in the original permanent appropriations measure for 2006 exceeded estimated resources in the General Fund by \$38,423, the Road and Bridge Fund by \$237,337, the Cemetery Fund by \$2,880 and the Debt Service Fund by \$10,333. An amended appropriations measure was adopted in October 2006 which corrected the General Fund and the Debt Service Fund. However, appropriations still exceeded estimated revenues in the Road and Bridge Fund by \$52,788 and the Cemetery Fund by \$2,880.

The certificates of estimated resources that the Township prepared for 2005 and 2006 were based on beginning cash balances by fund per the Uniform Accounting Network (UAN). However, fund balances had not been corrected in UAN to reflect fund balance adjustments made during the 2001/2002 audit, the 2003/2004 audit issued in 2006 and possibly other previous audits. The 2006 beginning audited balances also include adjustments made during the current audit to 2005 transactions. The tables below reflect the actual audited cash balances (less encumbrances) by fund versus available cash balances by fund reported in the certificate of estimated resources.

<u>2005</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$7,816	150,870	(143,054)
Motor Vehicle License Tax	150,458	149,287	1,171
Gasoline Tax	297,041	298,212	(1,171)
Road and Bridge Fund	387,557	141,155	246,402
Fire District Fund	305,958	190,415	115,543
Cemetery Fund	20,788	10,788	10,000
Zoning Fund	460	460	-
Permissive MVL	60,648	42,798	17,850
Debt Service	27,531	55,570	(28,039)
Capital Projects	(88,412)	130,432	(218,844)
Cemetery Bequests	1,564	1,565	(1)

Scioto Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

<u>2006</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	(\$24,718)	151,594	(176,312)
Motor Vehicle License Tax	146,136	143,315	2,821
Gasoline Tax	233,394	251,837	(18,443)
Road and Bridge Fund	315,138	43,627	271,511
Fire District Fund	372,750	247,319	125,431
Cemetery Fund	16,470	6,470	(10,000)
Zoning Fund	460	460	-
Permissive MVL	59,031	41,598	17,433
Debt Service	33,963	50,366	(16,403)
Capital Projects	(84,973)	139,320	(224,293)
Cemetery Bequests	1,579	1,580	(1)

As a result of inaccurate fund balances in UAN, the Township spent the General Fund into a deficit balance in 2005 and 2006.

In addition, according to the Delaware County Auditor's office, the Debt Service Fund balance is used to determine required collections to meet the current repayment obligation on Township bonds. Because the fund balance in the Debt Service Fund was not accurate, an insufficient amount was collected on behalf of the Township in both years. The Debt Service Fund has a deficit balance at the end of 2006.

Finding Number 2006-02

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

In 2005, actual expenditures in the Gasoline Tax Fund exceeded appropriations by \$27,081. Although the fund did have available resources to support the expenditure level, an amended appropriation measure was not adopted.

In 2005 and 2006, appropriations entered into UAN did not agree to the totals of the appropriation measure that was adopted by the Township for most funds. In many cases, the appropriations entered into UAN were higher than the amounts adopted in the appropriation measure. Inaccurate budgetary information entered into UAN could permit the Township to overspend adopted appropriations.

Scioto Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2006-03

Ohio Revised Code 5705.36 states that an increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations. In 2005, actual receipts were significantly less than the budgeted amount for the General, Road and Bridge, Cemetery and Fire District Funds.

We also noted that the estimated receipts entered into the UAN did not agree to the final certificate of estimated resources for all funds except the Permissive Motor Vehicle License Tax and Cemetery Funds in 2005 and for all funds in 2006. The Township cannot adequately monitor budgeted versus actual receipts when accurate information has not been entered into the UAN.

Finding Number 2006-04

Ohio Revised Code Section 505.24(C), as amplified by Ohio Attorney General Opinion 2004-036, effective October 19, 2004, requires the trustees to establish administrative procedures to document the proportionate amount of trustee salaries chargeable to other funds based on the kinds of services rendered for salaries not paid out of the general fund. The procedures can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on Township business and the type of service performed. If trustees do not document their time, then no part of salaries may be paid from funds other than the General Fund. In 2005 and 2006, the Township allocated a portion of trustee salaries to the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Tax Funds per resolution, as was previously permitted. No timesheets or other documentation of performance of township activities were maintained by the trustees for either year. Per Auditor of State of Ohio (AoS) guidance in the Ohio Compliance Supplement, these salaries have been reclassified to the General Fund for 2006.

Finding Number 2006-05

The Township was missing a rollback/homestead exemption check from the AoS in the amount of \$25,061 in 2005. The Township believes that the check was not received due to the transition of fiscal officers. The AoS's office verified that the check had been voided because it had never been cashed. The Township requested that the AoS reissue the check and a replacement check was received by the Township in May 2007.

At the end of each year, the AoS posts a list of disbursements made to local governments for the year on its website. The Township should compare receipts from the AoS posted in UAN to the list at the end of each year to verify that all amounts have been received.

Scioto Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2006-06

Ohio Revised Code Section 5705.10 states 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 and that 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 a purpose. Failure to properly post revenue can result in inaccurate records and cause the Township to misappropriate funds. We noted the following misclassifications of revenue during audit testing:

Rollback and homestead exemption remittances from the State of Ohio were recorded to the General Fund only for 2005 and 2006. Portions of these receipts were reclassified according to information on the Delaware County Auditor's Statement of Semi-Annual Apportionment of Taxes to the Debt Service, Road and Bridge and Fire Levy Funds, respectively, and are reflected as intergovernmental receipts in these funds in the audited financial statements.

Permissive Motor Vehicle Tax receipts were recorded to the Motor Vehicle License Tax Fund for 2005 and 2006. Because the audited financial statements report totals for Special Revenue Funds, which includes both of these funds, and because the purposes of and expenditures from these funds are the same, no reclassification entries have been made. The Clerk should contact the Delaware County Auditor's office for assistance in determining the amount of Permissive tax for each year, and should then transfer these receipts to the Permissive Motor Vehicle License Tax Fund.

Finding Number 2006-07

Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16 govern transfers between funds. Transfers are meant to be permanent reallocations of cash between funds and are permitted only in the specific instances outlined in these code sections by resolution of the taxing authority. Although no statutory provisions directly address inter-fund advances, AoS Bulletin 97-003 sets forth the requirements for these transactions as well as guidance for recording them. Advances are meant to be temporary transfers of cash between funds and are to be authorized by formal resolution of the taxing authority which must include a specific statement that the transaction is an advance of cash and an indication of the fund from which it is expected that repayment will be made. In addition, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.

In 2005 and 2006, the Township made numerous "advances" between funds in UAN as well as a few "transfers". We noted no formal resolutions in the board minutes that met the requirements of designating these transactions as advances, although we did note three of them specifically approved as transfers. In addition, none of the transactions noted in either year met the narrowly

Scioto Township
Delaware County, Ohio
Schedule of Findings, continued
December 31, 2006 and 2005

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS (continued)**

Finding Number 2006-07 (continued)

defined parameters for which transfers are permitted, except the moving of cash from the general fund to other funds. Therefore, these transactions are not permitted and have been reversed under audit.

Finding Number 2006-08

Ohio Revised Code Section 5705.34 requires the Township to pass a resolution to authorize the necessary tax levies and certify the levies to the County Auditor by October 1 for the next succeeding tax year.

The Township's Certification of Tax Levies for the succeeding tax year was not submitted for 2005.

Response by Township

This is in response to the recent audit. We understand our errors in appropriations and cash disbursements. Instead of "other expenses," we will activate the additional account codes in the UAN system. In the Personnel Policies and Procedures Manual we have added Appendix A to address the use of cell phones and Township credit cards. Michelle Schafer from the State Auditor's office is currently helping us to correct the errors. We appreciate your help in identifying these needs. We have taken the appropriate steps to make the necessary corrections.



Mary Taylor, CPA
Auditor of State

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
SEPTEMBER 25, 2007**