



Dave Yost • Auditor of State

SCIOTO TOWNSHIP
DELAWARE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Scioto Township
Delaware County
3737 Ostrander Road
Ostrander, Ohio 43061

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Scioto Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Scioto Township, Delaware County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

Columbus, Ohio

May 2, 2013

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 118,470	\$ 325,936	\$ 127,101	\$ -	\$ -	\$ 571,507
Licenses, Permits and Fees	5,150	11,730	-	-	-	16,880
Intergovernmental	111,892	503,782	8,547	10	-	624,231
Earnings on Investments	205	19	-	-	-	224
Miscellaneous	6,655	18,529	-	-	-	25,184
<i>Total Cash Receipts</i>	<u>242,372</u>	<u>859,996</u>	<u>135,648</u>	<u>10</u>	<u>-</u>	<u>1,238,026</u>
Cash Disbursements						
Current:						
General Government	140,669	-	-	-	-	140,669
Public Safety	-	218,892	-	-	-	218,892
Public Works	-	141,169	-	-	-	141,169
Health	24,597	10,431	-	-	-	35,028
Conservation- Recreation	21,298	-	-	-	-	21,298
Other	-	364,577	-	-	-	364,577
Capital Outlay	-	521,185	1,904	-	-	523,089
Debt Service:						
Principal Retirement	-	32,840	75,000	-	-	107,840
Interest and Fiscal Charges	-	18,077	59,500	-	-	77,577
<i>Total Cash Disbursements</i>	<u>186,564</u>	<u>1,307,171</u>	<u>136,404</u>	<u>-</u>	<u>-</u>	<u>1,630,139</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>55,808</u>	<u>(447,175)</u>	<u>(756)</u>	<u>10</u>	<u>-</u>	<u>(392,113)</u>
Other Financing Receipts/(Disbursements)						
Other Debt Proceeds	-	482,059	-	-	-	482,059
Transfers In	-	-	-	20,318	-	20,318
Transfers Out	(20,318)	-	-	-	-	(20,318)
Other Financing Uses	(495)	-	-	-	-	(495)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(20,813)</u>	<u>482,059</u>	<u>-</u>	<u>20,318</u>	<u>-</u>	<u>481,564</u>
<i>Net Change in Fund Cash Balances</i>	<u>34,995</u>	<u>34,884</u>	<u>(756)</u>	<u>20,328</u>	<u>-</u>	<u>89,451</u>
<i>Fund Cash Balances, January 1</i>	<u>65,956</u>	<u>299,121</u>	<u>10,624</u>	<u>(14,878)</u>	<u>1,579</u>	<u>362,402</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	1,579	1,579
Restricted	-	278,048	9,868	5,450	-	293,366
Committed	-	55,957	-	-	-	55,957
Assigned	62,724	-	-	-	-	62,724
Unassigned (Deficit)	38,227	-	-	-	-	38,227
<i>Fund Cash Balances, December 31</i>	<u>\$ 100,951</u>	<u>\$ 334,005</u>	<u>\$ 9,868</u>	<u>\$ 5,450</u>	<u>\$ 1,579</u>	<u>\$ 451,853</u>

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Permanent Fund	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 106,151	\$ 309,737	\$ 109,404	\$ -	\$ -	\$ 525,292
Charges for Service	62	-	-	-	-	62
Licenses, Permits and Fees	3,256	8,134	-	-	-	11,390
Intergovernmental	63,014	164,919	15,720	539,019	-	782,672
Earnings on Investments	141	57	-	-	-	198
Miscellaneous	8,807	15,742	-	-	-	24,549
<i>Total Cash Receipts</i>	<u>181,431</u>	<u>498,589</u>	<u>125,124</u>	<u>539,019</u>	<u>-</u>	<u>1,344,163</u>
Cash Disbursements						
Current:						
General Government	134,508	-	-	-	-	134,508
Public Safety	-	193,322	-	-	-	193,322
Public Works	28,619	137,801	-	-	-	166,420
Health	17,475	27,871	-	-	-	45,346
Conservation- Recreation	21,356	-	-	-	-	21,356
Capital Outlay	-	10,210	1,806	592,339	-	604,355
Debt Service:						
Principal Retirement	-	109,687	75,000	-	-	184,687
Interest and Fiscal Charges	-	8,474	62,500	-	-	70,974
<i>Total Cash Disbursements</i>	<u>201,958</u>	<u>487,365</u>	<u>139,306</u>	<u>592,339</u>	<u>-</u>	<u>1,420,968</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,527)</u>	<u>11,224</u>	<u>(14,182)</u>	<u>(53,320)</u>	<u>-</u>	<u>(76,805)</u>
Other Financing Receipts/(Disbursements)						
Sale of Notes	-	-	-	53,311	-	53,311
Transfers In	-	7,482	-	10,000	-	17,482
Transfers Out	(10,000)	(7,482)	-	-	-	(17,482)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>63,311</u>	<u>-</u>	<u>53,311</u>
<i>Net Change in Fund Cash Balances</i>	<u>(30,527)</u>	<u>11,224</u>	<u>(14,182)</u>	<u>9,991</u>	<u>-</u>	<u>(23,494)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>96,483</u>	<u>287,897</u>	<u>24,806</u>	<u>(24,869)</u>	<u>1,579</u>	<u>385,896</u>
Fund Cash Balances, December 31						
Nonspendable	-	-	-	-	1,579	1,579
Restricted	-	245,814	10,624	5,450	-	261,888
Committed	-	53,307	-	-	-	53,307
Assigned	45,259	-	-	-	-	45,259
Unassigned (Deficit)	20,697	-	-	(20,328)	-	369
<i>Fund Cash Balances, December 31</i>	<u>\$ 65,956</u>	<u>\$ 299,121</u>	<u>\$ 10,624</u>	<u>\$ (14,878)</u>	<u>\$ 1,579</u>	<u>\$ 362,402</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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Scioto Township, Delaware County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a governmental risk-sharing pool whose members consist solely of Ohio townships.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Special Levy- Fire Fund - This fund receives property tax money to provide fire services for the Township.

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

General Bond Debt Service Fund - This fund receives property tax money to retire the bonded debt associated with the construction of the fire house.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.. The Township had the following significant Capital Project Fund:

Public Works Commission Project Fund - The Township received a grant from the Ohio Public Works Commission for road improvements to DeGood Road.

5. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Amos Main Cemetery Bequest Fund – This fund includes the nonexpendable corpus from a trust agreement. Interest earned is receipted in the Cemetery Special Revenue Fund and used for general maintenance and upkeep of the Township's cemetery.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity

For fiscal year 2011, the Township reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Change in Accounting Principle and Restatement of Net Assets/Fund Equity (Continued)

	Fund Balance at December 31, 2010	GASB 54 Change in Fund Structure	Adjusted Fund Balance at December 31, 2010
General	\$96,023	\$460	\$96,483
Special Revenue	\$288,357	(\$460)	\$287,897
Debt Service	\$24,806	-	\$24,806
Capital Projects	(\$24,869)	-	(\$24,869)
Permanent	\$1,579	-	\$1,579

3. Equity in Pooled Deposits and Investments

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

	2012	2011
Demand deposits	\$206,785	\$117,508
Certificates of deposit	1,000	1,000
Total deposits	<u>207,785</u>	<u>118,508</u>
 STAR Ohio	 244,068	 243,894
Total deposits and investments	<u>\$451,853</u>	<u>\$362,402</u>

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

Investments:

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

Fund Type	2012 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$208,676	\$242,372	\$33,696
Special Revenue	834,956	1,342,055	507,099
Debt Service	136,459	135,648	(811)
Capital Projects	30,318	20,328	(9,990)
Permanent	0	0	0
Total	<u>\$1,210,409</u>	<u>\$1,740,403</u>	<u>\$529,994</u>

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,793	\$207,377	\$1,416
Special Revenue	1,370,465	1,307,171	63,294
Debt Service	132,807	136,404	(3,597)
Capital Projects	0	0	0
Permanent	0	0	0
Total	<u>\$1,712,065</u>	<u>\$1,650,952</u>	<u>\$61,113</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$156,424	\$181,431	\$25,007
Special Revenue	465,287	506,071	40,784
Debt Service	125,090	125,124	34
Capital Projects	630,318	602,330	(27,988)
Permanent	0	0	0
Total	<u>\$1,377,119</u>	<u>\$1,414,956</u>	<u>\$37,837</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$206,186	\$211,958	(\$5,772)
Special Revenue	598,424	494,847	103,577
Debt Service	142,175	139,306	2,869
Capital Projects	600,000	592,339	7,661
Permanent	0	0	0
Total	<u>\$1,546,785</u>	<u>\$1,438,450</u>	<u>\$108,335</u>

5. Property Tax

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

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

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Property Tax (Continued)

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

6. Debt

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Capital Facilities Bonds	\$1,100,000	4.00%
Delaware County Note	45,811	Varies
2012 Fire Truck Lease	456,719	Varies
Total	\$1,602,530	

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 Township's taxing authority collateralized the 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%, each subsequent year from 2014 through 2023 - \$100,000 per year bearing interest at 5.25%.

The bonds maturing in 2013 shall be term bonds, and subject to mandatory sinking fund redemption on the outstanding balance as follows: 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 multiples of \$5,000, at par plus accrued interest to the redemption rate. In no event shall any redemption cause any bonds to be outstanding in a denomination which is less than \$100,000.

In 2009, the Township entered into a master lease purchase agreement for firefighting equipment. The terms require annual principal payments of \$58,153, includes principal and interest (5.39%) to be made until August 2013. The Township elected to pay off the master lease in 2011 by making a payment of \$109,687.

In 2011, the Township entered into an agreement with Delaware County for a loan in the amount of \$53,311 for the Township's share of the costs for the 2011 Ohio Public Works Commission (OPWC) DeGood Road Improvement project. The Township is not bound by a set payment schedule. The terms of the agreement require the Township to pay principal and interest in twelve annual installments on or before the first day of July each year, commencing on July 1, 2012. The Township may prepay all or any part of the principal without penalty. Interest is charged at the STAR Ohio rate, compounded monthly. In 2012 the Township paid \$7,500 towards the principal of the loan.

In 2012, the Township entered into a new lease agreement for the purchase of a fire truck. The terms require annual payments to be made until December 2021.

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

6. Debt (Continued)

Year ending December 31:	Capital Facilities Bonds	2012 Fire Truck Lease
2013	\$156,500	\$86,435
2014	152,500	43,418
2015	147,250	86,435
2016	142,000	43,418
2017	136,750	86,435
2018-2022	605,000	190,465
2023	105,250	
Total	<u>\$1,445,250</u>	<u>\$536,606</u>

7. Retirement Systems

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Risk Management (Continued)

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$12,000.

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$20,490	\$18,557

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

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

Scioto Township
Delaware County
3737 Ostrander Road
Ostrander, Ohio 43061

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Scioto Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, we noted that in 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2012-01, 2012-02, and 2012-04 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-02 through 2012-04.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert R. Hinkle, CPA, CGFM
Chief Deputy Auditor

Columbus, Ohio

May 2, 2013

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

MATERIAL WEAKNESS

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

The following adjustments and reclassifications were qualitatively and quantitatively material to the financial statements of the Township and have been recorded to the accompanying December 31, 2012 and 2011 financial statements and accounting records of the Township:

- 1) An adjustment in the amount of \$482,059 in 2012 to record debt proceeds and capital outlay expenditures in the Fire Fund related to a capital lease to purchase a fire truck;
- 2) Reclassification in the amount of \$364,679 in 2012 for a Federal Emergency Management Agency Grant (FEMA) in the FEMA fund as intergovernmental receipts instead of special assessments;
- 3) Reclassification in the amount of \$364,577 in 2012 to report FEMA grant expenditures in the FEMA fund as other expenditures instead of other financing uses; and
- 4) Reclassification in the amount of \$5,924 in 2011 from Intergovernmental receipts to Sale of Notes to report the correct amount of debt proceeds in the Public Works Commission Fund.

Failure to properly classify receipts and disbursements results in inaccurate financial reports being disseminated to the Board of Trustees, as well as financial statement readers.

The reclassifications and adjustments identified during the audit should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Trustees should review the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2012-02

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code § 505.24(C) allows a board of township trustees to adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-02 (Continued)

NONCOMPLIANCE/MATERIAL WEAKNESS (Continued)

In 2011, salaries and payments for withholdings, retirement and fringe benefits for Trustee compensation totaling \$11,397, \$2,969 and \$8,908 were paid from the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Road & Bridge Fund, respectively. In 2012, salaries and payments for withholdings, retirement and fringe benefits for Trustee compensation totaling \$12,867 and \$12,867 were paid from the Motor Vehicle License Tax Fund and Road & Bridge Fund, respectively. The Township Trustees did not maintain records to support the time spent on road projects and other Township matters and certifications of time spent providing various services for the Township were not completed. The Township's accounting records and the accompanying financial statements were adjusted to reallocate these salaries and other payments to the General Fund.

Failure to maintain certifications to support the allocation of payroll to restricted funds could result in findings for adjustment.

We recommend that the Trustees certify the percentage of time spent on services related to each fund for each pay period and that their compensation be properly allocated to the Township's funds in accordance with their monthly payroll certification. The documentation of time spent should be turned in to the Fiscal Officer in a timely manner each month so that salaries and fringe benefits can be allocated properly to the Township's funds.

FINDING NUMBER 2012-03

NONCOMPLIANCE

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2012-03 (Continued)

NONCOMPLIANCE (Continued)

- Amounts less than \$3,000 may be paid by the fiscal officer without a resolution upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Township.
- Blanket certificates - Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

The Township did not certify the availability of funds prior to the purchase commitment for 57% of expenditures tested during 2012 and 2011 and there was no evidence that the Township followed the aforementioned exceptions.

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

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

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-04

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Revised Code § 5705.10 (C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Additionally, Section (D) states 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, shall be paid into a special fund for such purpose.

During 2012, the Township did not post a homestead and rollback receipt to the Fire Fund in accordance to millage levied for each fund. This resulted in an adjustment of \$19,035 from the General Fund to the Fire Fund. The Fiscal Officer made the adjustment to the Township's records and the adjustment is reflected in the accompanying financial statements.

Failure to properly classify receipts among funds results in inaccurate financial reports being disseminated to the Board of Trustees, as well as financial statement readers.

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Ohio Revised Code.

The Township did not respond to the findings reported above.

**SCIOTO TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC 5705.10- Negative Fund Balance of Miscellaneous Capital Project Fund	No	Re-issued in Management Letter
2010-002	Posting Receipts and Expenditures	No	Re-issued as Finding 2012-01 and 2012-04

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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
JULY 23, 2013**