

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011





# Dave Yost • Auditor of State

Board of Trustees  
Scott Township  
5246 Columbus Sandusky Road N.  
Marion, Ohio 43302

We have reviewed the *Independent Auditor's Report* of Scott Township, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2011 to December 31, 2012. 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.

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. Scott Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 13, 2014

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## **INDEPENDENT AUDITORS' REPORT**

Scott Township  
Marion County  
5246 Columbus Sandusky Road N.  
Marion, OH 43302

Board of Trustees:

### **Report on the Financial Statements**

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

### **Managements 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 fair 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 audits. 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 audits to obtain reasonable assurance about whether 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.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (continued)**

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**

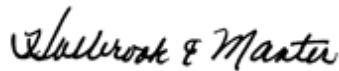
In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Scott Township, Marion County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial 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 3 to the financial statements, during 2011 Scott 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 March 27, 2014, 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.

  
Certified Public Accountants

March 27, 2014



**SCOTT TOWNSHIP**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Governmental Funds</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash receipts:-</b>			
Property and other local taxes	\$ 27,854	\$ 0	\$ 27,854
Intergovernmental	8,731	89,582	98,313
Licenses, permits and fees	515	0	515
Earnings on investments	549	245	794
Miscellaneous	352	0	352
<b>Total cash receipts</b>	<u>38,001</u>	<u>89,827</u>	<u>127,828</u>
<b>Cash disbursements:-</b>			
Current:-			
General government	38,539	0	38,539
Public health services	4,795	0	4,795
Public works	2,421	87,765	90,186
<b>Total cash disbursements</b>	<u>45,755</u>	<u>87,765</u>	<u>133,520</u>
Total receipts over (under) cash disbursements	( 7,754)	2,062	( 5,692)
Fund cash balances, January 1, 2012	<u>88,929</u>	<u>232,196</u>	<u>321,125</u>
<b>Fund cash balances, December 31, 2012:-</b>			
Restricted	0	234,258	234,258
Unassigned (deficit)	81,175	0	81,175
<b>Fund cash balances, December 31, 2012</b>	<u>\$ 81,175</u>	<u>\$ 234,258</u>	<u>\$ 315,433</u>

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

**SCOTT TOWNSHIP  
MARION COUNTY**

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

	<u>Governmental Funds</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash receipts:-</b>			
Property and other local taxes	\$ 28,701	\$ 0	\$ 28,701
Intergovernmental	8,352	90,459	98,811
Licenses, permits and fees	455	0	455
Earnings on investments	798	102	900
Miscellaneous	5	0	5
<b>Total cash receipts</b>	<u>38,311</u>	<u>90,561</u>	<u>128,872</u>
<b>Cash disbursements:-</b>			
Current:-			
General government	46,502	0	46,502
Public health services	5,343	105,474	110,817
Public works	3,363	0	3,363
<b>Total cash disbursements</b>	<u>55,208</u>	<u>105,474</u>	<u>160,682</u>
Total receipts over (under) cash disbursements	( 16,897)	( 14,913)	( 31,810)
<b>Other financing receipts / (disbursements):-</b>			
Sale of fixed assets	1,500	0	1,500
Total other financing receipts / (disbursements)	<u>1,500</u>	<u>0</u>	<u>1,500</u>
Net change in fund cash balances	( 15,397)	( 14,913)	( 30,310)
Fund cash balances, January 1, 2011	<u>104,326</u>	<u>247,109</u>	<u>351,435</u>
<b>Fund cash balances, December 31, 2011:-</b>			
Restricted	0	232,196	232,196
Unassigned (deficit)	88,929	0	88,929
<b>Fund cash balances, December 31, 2011</b>	<u>\$ 88,929</u>	<u>\$ 232,196</u>	<u>\$ 321,125</u>

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

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-**

**Description of the Entity** - Scott Township, Marion County, (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 three publicly - elected Trustees. The Township provides road and bridge maintenance and cemetery maintenance.

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, 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.

**Cash and Investments** - Investments are recorded 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.

The investment in Star Ohio (the State Treasurer's investment pool) is valued at amounts by the State Treasurer.

**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 by law or contract to be restricted.

**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:

*Motor Vehicle Licenses Tax Fund*

This fund receives motor vehicle license tax money for constructing, maintaining, and repairing Township roads.

*Gasoline Tax Fund*

This fund receives gasoline tax money for constructing, maintaining, and repairing township roads.

**Budgetary Process** - The Ohio Revised Code requires that each fund be budgeted annually.

**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 Marion County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-** (continued)

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made.

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

**Fund Balance** - Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund balance is reported as 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.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not 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.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

**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  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 2 - EQUITY IN POOLED CASH AND INVESTMENTS:-**

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

		<u>2012</u>		<u>2011</u>
Demand deposits	\$	251,510	\$	257,250
STAR Ohio		<u>63,923</u>		<u>63,875</u>
<b>Total deposits</b>	<b>\$</b>	<b><u>315,433</u></b>	<b>\$</b>	<b><u>321,125</u></b>

**Deposits** - The Townships deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) 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.

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE:-**

The Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balance of the Township's funds.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 4 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2012 was as follows:-

**2012 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 51,713	\$ 38,001	\$ ( 13,712)
Special Revenue	<u>88,587</u>	<u>89,827</u>	<u>1,240</u>
<b>Total</b>	<b>\$ <u>140,300</u></b>	<b>\$ <u>127,828</u></b>	<b>\$ ( <u>12,472</u>)</b>

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 140,352	\$ 45,755	\$ 94,597
Special Revenue	<u>320,726</u>	<u>87,765</u>	<u>232,961</u>
<b>Total</b>	<b>\$ <u>461,078</u></b>	<b>\$ <u>133,520</u></b>	<b>\$ <u>327,558</u></b>

Contrary to Ohio law, appropriations exceeded actual resources within the General Fund.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 4 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2011 was as follows:

**2011 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 52,385	\$ 39,811	\$ ( 12,574)
Special Revenue	<u>88,587</u>	<u>90,561</u>	<u>1,974</u>
<b>Total</b>	<b>\$ <u>140,972</u></b>	<b>\$ <u>130,372</u></b>	<b>\$ ( <u>10,600</u>)</b>

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 156,711	\$ 55,208	\$ 101,503
Special Revenue	<u>335,696</u>	<u>105,474</u>	<u>230,222</u>
<b>Total</b>	<b>\$ <u>492,407</u></b>	<b>\$ <u>160,682</u></b>	<b>\$ <u>331,725</u></b>

Contrary to Ohio law, appropriations exceeded actual resources within the General Fund.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011

**NOTE 5 - PROPERTY TAX:-**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 Marion County by December 31. If the property owner elects to make semiannual payments, 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 Marion 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.

The tangible personal property tax is being phased out over the next year.

**NOTE 6 - RETIREMENT SYSTEMS:-**

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employee plan. This plan provides retirement benefits, including post-retirement 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 2012 and 2011, PERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2012 and 2011. The Township has paid all contributions required through December 31, 2012.

**NOTE 7 - RISK POOL 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.

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.



**SCOTT TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**NOTE 7 - RISK POOL 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, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
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 \$1,000.

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.

<b><u>Contributions to OTARMA</u></b>	
<u>2012</u>	<u>2011</u>
\$1,786	\$1,819

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.

**NOTE 8 - SUBSEQUENT EVENTS:-**

Management has evaluated subsequent events through March 27, 2014, the date which the financial statements were available to be issued.



**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Required by Government Auditing Standards**

Board of Trustees  
Scott Township  
Marion County

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 Scott Township, Marion 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 March 27, 2014, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. 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 Government's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions 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.

*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 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

**Compliance and Other Matters**

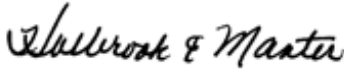
As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2012-001 through 2012-006.

We also noted certain other matters that we reported to the Township's management in a separate letter dated March 27, 2014.

Scott Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Scott Township's response and, accordingly, we express no opinion on it.

#### **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 and is intended solely for the information and use of management, Board of Trustees, and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

March 27, 2014

**SCOTT TOWNSHIP  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
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<b>Finding Number</b>	<b>2012-001</b>
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**Noncompliance Citation - Certification of Expenditures**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Furthermore, contracts and orders for expenditures lacking prior certification should be null and void unless, for expenditures less than \$3,000, the board of Trustees obtains from the fiscal officer a certificate stating that there was at the time of the making of the contracts or orders a sufficient sum appropriated. The board, by resolution, then may authorize the issuance of a warrant for the payments of the amount due.

During our testing of expenditures, we noted several instances where the purchase order (PO) certification date was after the invoice date. This could result in encumbrances and expenditures in excess of appropriations, contrary to Ohio Revised Code. We recommend that the Township Clerk certify that sufficient funds are available prior to ordering goods and services.

<b>Finding Number</b>	<b>2012-002</b>
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**Noncompliance Citation - Appropriations Exceeding Actual Resources**

Ohio Revised Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total revenue as certified by the county budget commission. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township's appropriations exceeded actual resources as of December 31, 2012 and 2011, as outlined in Note 4 of the financial statements.

We recommend the Trustees and Fiscal Officer periodically review the Township's appropriations versus certified estimated resources to identify and investigate any variances and to help monitor legal compliance. Township officials should verify that the Township has properly prepared and submitted all required budgetary documents to the county auditor. Also, each time appropriations are adopted or amended, the Township should ensure the certificate of the County Auditor is received indicating appropriations do not exceed certified resources.

**SCOTT TOWNSHIP  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

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

<b>Finding Number</b>	<b>2012-003</b>
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**Noncompliance Citation - Public Records Policy and Record Retention Schedule**

Every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. They policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours.

By September 29, 2007, all public offices were required to create a poster describing its public records policy. In addition, the public office is required to post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. Finally, if the public office has an employee policies and procedures manual or handbook, it is required that the public records policy be included in such manual or handbook.

Pursuant to Ohio Rev. Code 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public. Any application or schedule for the destruction of records must be sent to the Ohio Historical Society for review to determine whether any of the records are of historical value [Ohio Rev. Code §149.39] Once reviewed by the Ohio Historical Society, the applications are then forwarded to the Ohio Auditor of State’s Office for final approval. A model policy is available at [www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government](http://www.ohioattorneygeneral.gov/files/Forms/Forms-for-Government).

During our compliance testing, it was noted that the Township had not implemented a public records policy or a records retention policy. We recommend that the above steps be taken to adopt the necessary formal policies and that they be posted where the public can see them.

<b>Finding Number</b>	<b>2012-004</b>
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**Noncompliance Citation – Record Retention**

During our examination and testing of payroll expenditures, we noted that the Township could not locate all the requested documents normally examined during an audit. The Quarterly Federal Tax Forms (941s) could not be located for 2011. Adequate documentation is a key element of an internal control system; this condition limits the control and accountability over the Township’s payroll expenditures and allows for the possibility of improper, untimely, or no filing to occur. We advise that all tax forms and other supporting documentation be retained to support the proper filing of the returns.

**SCOTT TOWNSHIP  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

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

<b>Finding Number</b>	<b>2012-005</b>
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**Noncompliance Citation - Allocation of Interest Revenue**

Ohio Revised Code, Section 135.21, states that all interest earned must be credited to the general fund of the subdivision with a few exceptions. The following exception of which pertains to the Township: Interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

We noted that they Township was not properly allocating interest among their funds based on the exceptions noted above. Interest should have been allocated based on the fund balances in the General Fund, Gasoline Tax Fund, and the Motor Vehicle License Tax Fund. We recommended an audit adjustment to reflect a more reasonable allocation of interest during 2012 and 2011 and suggested that the Township allow their accounting software to calculate the percentage of allocation to each fund when entering the revenue into the computer.

<b>Finding Number</b>	<b>2012-006</b>
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**Noncompliance Citation – Health Insurance Reimbursements**

Scott Township does not offer health insurance benefits under ORC 505.60, but rather provides reimbursements under ORC 505.601, which may provide reimbursement for each out of pocket premium attributable to the coverage provided for that officer or employee for insurance benefits described in division (A) of section 505.60 of the Revised Code that the officer or employee otherwise obtains, if all of the following conditions are met:

(A) The board of Township trustees adopts a resolution that states that the township has chosen not to procure a health care plan under section 505.60 of the Revised Code and has chosen instead to reimburse its officers and employees for each out-of-pocket premium attributable to the coverage provided for them for insurance benefits described in division (A) of section 505.60 of the Revised Code that they otherwise obtain.

(B) That resolution provides for a uniform maximum monthly or yearly payment amount for each officer or employee to cover themselves and their immediate dependents, beyond which the township will not reimburse the officer or employee.

(C) That resolution states the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the township will reimburse all officers and employees of the township. The Township may not reimburse officers and employees for benefits other than those listed in division (A) of section 505.60 of the Revised Code.

During our testing, we noted that the Township informally approved reimbursements of insurance and approved a maximum dollar amount per employee, however, they did not pass a formal resolution stating the specific benefits listed in division (A) of section 505.60 of the Revised Code for which the Township would reimburse for.

We recommend that the Board obtain legal assistance in drafting a formal policy that specifically address the benefits that the Township are reimbursing for and approve the policy during an official board meeting.



# Dave Yost • Auditor of State

**SCOTT TOWNSHIP**

**MARION 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  
MAY 27, 2014**