

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
REPORT ON FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Scott Township, Marion County, prepared by Holbrook & Manter, for the audit period January 1, 2013 through December 31, 2014. 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

December 28, 2015

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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, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***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(D) permit; 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.

### ***Auditors' 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although, the effects on the financial statements of the variances between the regulatory basis of accounting GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are material misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the Opinion on Regulatory Basis of Accounting paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

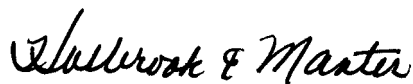
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, 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, 2014 and 2013, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, 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

Marion, Ohio  
September 29, 2015



**SCOTT TOWNSHIP**  
**MARION COUNTY**  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<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	\$ 44,415	\$ 0	\$ 44,415
Intergovernmental	5,955	91,682	97,637
Licenses, permits and fees	1,248	0	1,248
Earnings on investments	95	239	334
Miscellaneous	930	0	930
<b>Total cash receipts</b>	<u>52,643</u>	<u>91,921</u>	<u>144,564</u>
<b>Cash disbursements:-</b>			
Current:-			
General government	41,664	0	41,664
Public health services	4,892	0	4,892
Public works	1,798	106,126	107,924
<b>Total cash disbursements</b>	<u>48,354</u>	<u>106,126</u>	<u>154,480</u>
Excess of receipts over (under) cash disbursements	4,289	(14,205)	( 9,916)
Fund cash balances, January 1, 2014	<u>80,048</u>	<u>227,741</u>	<u>307,789</u>
<b>Fund cash balances, December 31, 2014:-</b>			
Restricted	0	213,536	213,536
Unassigned (deficit)	<u>84,337</u>	<u>0</u>	<u>84,337</u>
<b>Fund cash balances, December 31, 2014</b>	<u>\$ 84,337</u>	<u>\$ 213,536</u>	<u>\$ 297,873</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 (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013

	<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	\$ 29,576	\$ 0	\$ 29,576
Intergovernmental	5,175	90,006	95,181
Licenses, permits and fees	304	0	304
Earnings on investments	91	238	329
Miscellaneous	891	0	891
<b>Total cash receipts</b>	<u>36,037</u>	<u>90,244</u>	<u>126,281</u>
<b>Cash disbursements:-</b>			
Current:-			
General government	31,621	0	31,621
Public health services	4,993	0	4,993
Public works	550	96,761	97,311
<b>Total cash disbursements</b>	<u>37,164</u>	<u>96,761</u>	<u>133,925</u>
Excess of receipts (under) disbursements	( 1,127)	( 6,517)	( 7,644)
Fund cash balances, January 1, 2013	<u>81,175</u>	<u>234,258</u>	<u>315,433</u>
<b>Fund cash balances, December 31, 2013:-</b>			
Restricted	0	227,741	227,741
Unassigned (deficit)	80,048	0	80,048
<b>Fund cash balances, December 31, 2013</b>	<u>\$ 80,048</u>	<u>\$ 227,741</u>	<u>\$ 307,789</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, 2014 AND 2013

**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 participates in a public entity risk pool. Note 6 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) (Note 6)

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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**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.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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

**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.

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 2014 and 2013 budgetary activity appears in Note 3.

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

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.

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.

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.

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.

**SCOTT TOWNSHIP  
MARION COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

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

**Accumulated Leave** - In certain circumstances, such as upon leaving employment, employees are entitled to cash payments or unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**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.

**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>2014</u>		<u>2013</u>
Demand deposits	\$	233,904	\$	243,841
STAR Ohio		<u>63,969</u>		<u>63,948</u>
<b>Total deposits</b>	<b>\$</b>	<b><u>297,873</u></b>	<b>\$</b>	<b><u>307,789</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.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**NOTE 3 - BUDGETARY ACTIVITY:-**

Budgetary activity for the year ending December 31, 2014 was as follows:-

**2014 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,791	\$ 52,643	\$ 3,852
Special Revenue	<u>89,978</u>	<u>91,921</u>	<u>1,943</u>
<b>Total</b>	<b>\$ <u><u>138,769</u></u></b>	<b>\$ <u><u>144,564</u></u></b>	<b>\$ <u><u>5,795</u></u></b>

**2014 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 129,035	\$ 48,354	\$ 80,681
Special Revenue	<u>317,520</u>	<u>106,126</u>	<u>211,394</u>
<b>Total</b>	<b>\$ <u><u>446,555</u></u></b>	<b>\$ <u><u>154,480</u></u></b>	<b>\$ <u><u>292,075</u></u></b>

**SCOTT TOWNSHIP  
MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**NOTE 3 - BUDGETARY ACTIVITY:-** (continued)

Budgetary activity for the year ending December 31, 2013 was as follows:

**2013 Budgeted vs. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 33,213	\$ 36,037	\$ 2,824
Special Revenue	<u>95,790</u>	<u>90,244</u>	<u>( 5,546)</u>
<b>Total</b>	<b>\$ <u>129,003</u></b>	<b>\$ <u>126,281</u></b>	<b>\$ <u>( 2,722)</u></b>

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 114,388	\$ 37,164	\$ 77,224
Special Revenue	<u>330,046</u>	<u>96,761</u>	<u>233,285</u>
<b>Total</b>	<b>\$ <u>444,434</u></b>	<b>\$ <u>133,925</u></b>	<b>\$ <u>310,509</u></b>

Contrary to Ohio law, appropriations exceeded actual resources within the Special Revenue Funds.

**SCOTT TOWNSHIP**  
**MARION COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**NOTE 4 - 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.

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

**NOTE 5 - RETIREMENT SYSTEMS:-**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPER 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 2014 and 2013, OPERS members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries for 2014 and 2013. The Township has unpaid contributions in the amount of \$1,932 at December 31, 2014.

**NOTE 6 - 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**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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, 2014 AND 2013**

**NOTE 6 - 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, 2014 and 2013:

	<b><u>2014</u></b>	<b><u>2013</u></b>
Assets	\$35,970,263	\$34,954,286
Liabilities	<u>(8,912,432)</u>	<u>(8,486,363)</u>
Net Position	<u>\$27,057,831</u>	<u>\$26,467,923</u>

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$8.2 and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 and \$7.4 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, 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>	
<b><u>2014</u></b>	<b><u>2013</u></b>
\$1,793	\$1,786

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 7 - SUBSEQUENT EVENTS:-**

Management has evaluated subsequent events through September 29, 2015, 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***

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

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 Scott Township, Marion County, Ohio (the Township), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated September 29, 2015, wherein we noted the Township followed accounting financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***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 2014-001 through 2014-005.

We also noted certain other matters that we reported to the Township's management in a separate letter dated September 29, 2015.

***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.

*Shullbrook & Mante*

Certified Public Accountants

Marion, Ohio  
September 29, 2015

**SCOTT TOWNSHIP  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

<b>Finding Number</b>	<b>2014-001</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 that none of the purchase orders created in 2014 were signed by the trustees nor certified by the fiscal officer. We recommend that the Township Fiscal Officer certify that sufficient funds are available prior to ordering goods and services and that the Trustees approve each of the purchase orders by adding their signatures to it.

<b>Finding Number</b>	<b>2014-002</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.

**SCOTT TOWNSHIP  
MARION COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

<b>Finding Number</b>	<b>2014-003</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 the 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 2014 and 2013 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. Subsequent to year end, the Township has posted the adjustment and intends to allocate interest accordingly in the future.

<b>Finding Number</b>	<b>2014-004</b>
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**Noncompliance Citation - Appropriation Resolution**

During our testing we compared total appropriations required by Ohio Revised Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report. The amounts certified agreed to the amounts in the accounting system for all funds except the Gasoline Tax Fund in 2013. The Appropriation Status report recorded budgeted appropriations for the Gasoline Tax fund of \$290,953 for 2013. However, the final Appropriation Resolution reflected \$300,953.

We recommend that the fiscal officer periodically compare amounts recorded in the Appropriation Status Report to amounts recorded on the Appropriation Resolution to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes.

<b>Finding Number</b>	<b>2014-005</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, 2013, as outlined in Note 3 of the financial statements. For December 31, 2014, the appropriations were in compliance and did not exceed the actual resources.

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 PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2012-001	Noncompliance Citation – Certification of Expenditures	No	Not corrected repeated as finding 2014-001.
2012-002	Noncompliance Citation - Appropriations Exceeding Actual Resources	No	Not corrected repeated as finding 2014-005.
2012-003	Noncompliance Citation - Public Records Policy and Record Retention Schedule	No	Not corrected repeated as finding 2014-002.
2012-004	Noncompliance Citation - Record Retention	Yes	Finding No Longer Valid.
2012-005	Noncompliance Citation - Allocation of Interest Revenue	No	Not corrected repeated as finding 2014-003.
2012-006	Noncompliance Citation - Health Insurance Reimbursements	Yes	Finding No Longer Valid.



# 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  
JANUARY 12, 2016**