



Dave Yost • Auditor of State

SCOTT TOWNSHIP
BROWN COUNTY

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Dave Yost • Auditor of State

ACCOUNTANTS' REPORT

Scott Township
Brown County
11867 New Hope-White Oak Station Road
Georgetown, Ohio 45121

To the Township Trustees:

We have selectively tested certain accounts, financial records, files and reports of Scott Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009 following Ohio Administrative Code Section 117-4-02.

The accompanying financial statements present unclassified receipts and disbursements. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify receipt and disbursement transactions.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

The report is intended solely for the information and use of management, the Township Trustees, and other officials authorized to receive this report under Section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

August 28, 2012

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**SCOTT TOWNSHIP
BROWN COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Total Unclassified Cash Receipts	\$41,976	\$155,426	\$197,402
Cash Disbursements:			
Total Unclassified Cash Disbursements	35,120	148,163	183,283
Total Unclassified Receipts Over/(Under) Unclassified Disbursements	6,856	7,263	14,119
Fund Cash Balances, January 1	15,299	260,476	275,775
Fund Cash Balances, December 31	\$22,155	\$267,739	\$289,894

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

**SCOTT TOWNSHIP
BROWN COUNTY**

**COMBINED STATEMENT OF UNCLASSIFIED CASH RECEIPTS, UNCLASSIFIED CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General	Special Revenue	Totals (Memorandum Only)
	<u> </u>	<u> </u>	<u> </u>
Cash Receipts:			
Total Unclassified Cash Receipts	<u>\$40,318</u>	<u>\$159,160</u>	<u>\$199,478</u>
Cash Disbursements:			
Total Unclassified Cash Disbursements	<u>59,315</u>	<u>126,071</u>	<u>185,386</u>
Total Unclassified Receipts Over/(Under) Unclassified Disbursements	<u>(18,997)</u>	<u>33,089</u>	<u>14,092</u>
Fund Cash Balances, January 1	<u>34,296</u>	<u>227,387</u>	<u>261,683</u>
Fund Cash Balances, December 31	<u><u>\$15,299</u></u>	<u><u>\$260,476</u></u>	<u><u>\$275,775</u></u>

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

**SCOTT TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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 Scott Township, Brown County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services, road maintenance, and cemetery maintenance.

The Township contracts with the Village of Georgetown, the Village of Mt. Orab and Clark Township to provide fire and ambulance services to the Township.

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).

The Township did not classify its receipts and disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code Section 117-2-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

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

C. Deposits and Investments

The Township deposits all available funds in an interest bearing checking account at a local commercial bank.

D. Fund Accounting

The Township uses fund accounting to segregate cash deposits that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose

**SCOTT TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies Continued

trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

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

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. 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.

2. Equity in Pooled Deposits and Investments

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

**SCOTT TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

	2010	2009
Demand deposits	\$289,894	\$275,775
Total deposits	289,894	275,775

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,939	\$41,976	\$5,037
Special Revenue	152,025	155,426	3,401
Total	\$188,964	\$197,402	\$8,438

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,042	\$35,120	\$15,922
Special Revenue	404,128	148,163	255,965
Total	\$455,170	\$183,283	\$271,887

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,586	\$40,318	\$2,732
Special Revenue	146,764	159,160	12,396
Total	\$184,350	\$199,478	\$15,128

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,183	\$59,315	\$11,868
Special Revenue	371,730	126,071	245,659
Total	\$442,913	\$185,386	\$257,527

**SCOTT TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. 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.

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

5. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% and 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

6. 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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

**SCOTT TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. 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, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Assets	\$35,855,252	\$38,982,088
Liabilities	<u>(10,664,724)</u>	<u>(12,880,766)</u>
Net Assets	<u>\$25,190,528</u>	<u>\$26,101,322</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, 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.

<u>Contributions to OTARMA</u>	
<u>2010</u>	<u>2009</u>
1,989	1,739

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.

**SCOTT TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

7. Compliance

Contrary to Ohio law:

- the Township did not properly encumber funds prior to expending those funds;
- the Township expended motor vehicle excise taxes funds for purposes which were not allowable;
- all records requested were not available for audit;
- all taxes deducted and withheld from payroll were not transmitted timely to the Internal Revenue Service;
- the Township did not maintain proper accounting records;
- the Township did not adopt permanent appropriations, certify taxes or file all required budgetary documents with the County;
- annual reports were not filed with the Auditor of State.



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ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Scott Township
Brown County
11867 New Hope-White Oak Station Road
Georgetown, Ohio 45121

To the Township Trustees:

We have selectively tested certain accounts, financial records, files and reports of Scott Township, Browns County, Ohio (the Township), as of and for the years ended December 31, 2010 and 2009 following Ohio Admin. Code Section 117-4-02. We noted the Township did not classify receipts and disbursements in the financial statements. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2010-004 and 2010-006.

Compliance and Other Matters

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. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2010-001 through 2010-007.

We also noted certain matters that we reported to the Township's management in a separate letter dated August 28, 2012.

We intend this report solely for the information and use of management, Township Trustees and others within the Township. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

August 28, 2012

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577

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SCOTT TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2010-001

Ohio Rev. Code, Section 117.38, states in part "Each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension. At the time the report is filed with the auditor of state, the chief fiscal officer, except as otherwise provided in section [319.11](#) of the Revised Code, shall publish notice in a newspaper published in the political subdivision or taxing district, and if there is no such newspaper, then in a newspaper of general circulation in the political subdivision or taxing district. The notice shall state that the financial report has been completed by the public office and is available for public inspection at the office of the chief fiscal officer.

The report shall contain the following:

- (A) Amount of collections and receipts, and accounts due from each source;
- (B) Amount of expenditures for each purpose;
- (C) Income of each public service industry owned or operated by a municipal corporation, and the cost of such ownership or operation;
- (D) Amount of public debt of each taxing district, the purpose for which each item of such debt was created, and the provision made for the payment thereof. The substance of the report shall be published at the expense of the state in an annual volume of statistics, which shall be submitted to the governor. The auditor of state shall transmit the report to the general assembly at its next session.

Any public office, other than a state agency, that does not file its financial report at the time required by this section shall pay to the auditor of state twenty-five dollars for each day the report remains unfiled after the filing date; provided, that the penalty payments shall not exceed the sum of seven hundred fifty dollars. The auditor of state may waive all or any part of the penalty assessed under this section upon the filing of the past due financial report. All sums collected from such penalties shall be placed in the public audit expense fund — local government. If the auditor of state fails to receive payment for penalties not paid within one year from the required filing date, the auditor may recover the penalties through the process in division (D) of section 117.13 of the Revised Code."

The Township failed to file annual financial reports for 2009 and 2010 and did not publish a notice in the media that the reports were available for public inspection.

Failure to file annual financial reports as required could lead to the Township incurring penalties for failing to submit the required reports.

We recommend the Township file all required financial reports within sixty days after the end of the fiscal year and publish a notice in the media informing the public that the financial report is available for public inspections.

FINDING NUMBER 2010-002

Ohio Administrative Code Section 117-2-02(D) states in part all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records **should** include the following:

1. Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.
3. Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

Ohio Administrative Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule [117-2-03](#) of the Administrative Code.

The Township did not classify receipts and disbursements for their transactions and they did not maintain the following records:

- Cash journal for the period from April 2, 2009 through December 31, 2010
- Receipts ledger for the period from January 1, 2009 through December 31, 2010
- Appropriations ledger for the period from January 1, 2009 through December 31, 2010

In addition to not maintaining the records as required by the Ohio Administrative Code, the Township did not prepare reconciliations between the Township's accounting system and the bank statements for 2009 and 2010.

Failure to provide and maintain the records indicated lead to the Township being declared unauditible and could lead to high risk of fraud take place in the Township.

We recommend the Township provide and maintain the required accounting records to ensure fiscal responsibility and to provide documentation in the form that can be audited. In addition, monthly bank reconciliations between the Township's accounting system balances and the bank statement balances with detailed reconciling items should be prepared. Township Trustees should adopt review procedures over the recording of the Township activity in the ledgers as well as the accuracy of the monthly bank reconciliations.

FINDING NUMBER 2010-003

26 United States Code Section 3403 states the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter.

26 United States Code Section 3404 states "if the employer is the United States, or a State, or political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any one or more of the foregoing, the return of the amount deducted and withheld upon any wages may be made by any officer or employee of the United States, or of such State, or political subdivision, or of the District of Columbia, or of such agency or instrumentality, as the case may be, having control of the payment of such wages, or appropriately designated for that purpose."

Employers who withhold income taxes from wages or who must pay social security or Medicare tax, use Form 941 to report those taxes. From approximately January 2010 through December 2010 the Township failed to file the required Form 941 and underpaid the amount of taxes due. The Township did not remit payments for federal income tax and medicare withheld from employees of the Township and also did not remit the employer share of medicare taxes in 2010 in the amount of \$3,960.

Failure to remit taxes withheld from Township employees and also the employer share of taxes owed to the Federal government and State government could lead to the Township incurring interest and penalties on the amounts owed which could lead to the Township depleting fund balances.

On May 17, 2012, the Township remitted the amounts owed to the Federal government for its share of taxes.

We recommend the Township report and remit all taxes owed to the applicable agencies in a timely manner.

FINDING NUMBER 2010-004

During reconstruction of the Township's accounting records using supporting documentation provided by the Township, we noted the Township lacked management oversight in the proper disbursement of expenditures from allowable funds.

Ohio Rev. Code, Section 5735.29, describes the allowable uses of motor fuel excise tax revenue such as paying the cost of constructing, widening, maintaining, and reconstructing the state highways; to maintain and repair bridges and viaducts; to purchase, erect, and maintain street and traffic signs and markers; to purchase, erect, and maintain traffic lights and signals; to pay the expense of administering and enforcing the state law relative to the registration and operation of motor vehicles.

In 2009, the Township expended monies from incorrect funds based on type of expenditure as noted:

Fund Expense Was Paid From	Check #	Amount	Fund Expense Should Be Paid From
Gas	2339	\$3,014	General
Gas	2350	316	General
Gas	2361	948	General
Total 2009 Gas Fund		4,278	
General	2297	900	Cemetery
General	2316	900	Cemetery
Total 2009 General Fund		1,800	
MVL	2327	97	Cemetery
MVL	2337	153	Cemetery
Total 2009 MVL Fund		\$2,049	

**FINDING NUMBER 2010-004
 (Continued)**

In 2010, the Township expended monies from incorrect funds based on type of expenditure as noted:

Fund Expense Was Paid From	Check #	Amount	Fund Expense Should Be Paid From
Gas	2434	\$2,475	Cemetery
Gas	2456	927	Cemetery
Gas	2469	927	Cemetery
Gas	2489	1,077	Cemetery
Gas	2435	60	General
Gas	2448	150	General
Gas	2461	120	General
Gas	2471	90	General
Gas	2482	120	General
Gas	2495	90	General
Total 2010 Gas Fund		6,036	
MVL	2443	465	Cemetery
Total 2010 MVL Fund		\$465	

Failure to accurately disburse expenses from the proper funds could lead to the Township misstating their financial statements and could lead to the inaccurate reporting of fund balances. Adjustments were made to the Township's accounting records to properly post these expenditures.

We also noted the Township had several receipts from the State of Ohio that were never deposited into the Township's bank account and were never pursued for reissuance by the fiscal officer as noted:

- In 2009, the Township was issued one payment in the amount of \$47 for property tax rollback that was never deposited in the Township's bank accounts.
- In 2010, the Township was issued three payments in the total amount of \$6,431 for liquor permit fees and property tax rollback that were never deposited in the Township's bank accounts.

Failure to deposit public monies properly could lead to misappropriation of Township funds or negative fund balances.

We also recommend that the township contact the Ohio Office of Budget Management and ensure all receipts have been voided and then take the necessary steps to have the payments reissued to the Township.

Finally, we recommend the Township post all expenditures as outlined in the Ohio Revised Code. The Ohio Township Handbook should be consulted to determine the correct posting of receipts and disbursements.

FINDING NUMBER 2010-005

Ohio Rev. Code, Section 5705.41(D)(1), 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.

**FINDING NUMBER 2010-005
(Continued)**

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.

1. **"Then and Now" Certificate** – 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 ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 expenditures by the Township

2. **Blanket Certificate** – 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.
3. **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 operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

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

During our tested we noted several instances that violated the above requirement requiring "Then and Now" Certificates above \$3,000 be authorized by a resolution or ordinance prior to payment.

- In 2009 we noted 8 disbursements in the total amount of \$80,501
- In 2010 we noted 5 disbursements in the total amount of \$74,946

Failure to properly certify the availability of funds and encumber appropriations can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, 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 that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2010-005
(Continued)**

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. 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 orders to the proper appropriation code to reduce the available appropriation. In the event that "Then and Now" certificates are used when the exceed \$3,000 these certificates would need to be approved via a resolution by the Trustees.

FINDING NUMBER 2010-006

The Township should have budgetary controls implemented to ensure compliance with the Ohio Revised Code. The lack of budgetary controls led to the following non-compliance with state statutes:

Ohio Rev. Code, Section 5705.34, states in part "Each taxing authority, by ordinance or resolution, shall authorize the necessary tax levies and certify them to the county auditor before the first day of October in each year, or at such later date as is approved by the tax commissioner." The Township Trustees did not approve the tax rate resolution in 2010 and did not certify the tax levies to the County Auditor by the required date. We recommend the Township pass the necessary resolution and certify the necessary tax levies to the county auditor by the required deadline.

Ohio Rev. Code, Section 5705.36 (A)(1), states in part "On or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section of the Revised Code, from each fund created by or on behalf of the taxing authority. The amount certified shall include any unencumbered balances that existed at the end of the preceding year." The Township did not complete certificates of the total amount from all sources available for expenditures and balances for 2009 or 2010. We recommend the Township complete the annual certificates of the total amount from all sources available for expenditures and balances each fiscal year.

Ohio Rev. Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

In 2009 and 2010 the Township passed temporary appropriations but never officially passed permanent appropriations.

Failure to adopt permanent appropriations as required could lead to the Township not making fiscally sound decisions due to the lack of official budgetary information which could also lead to the Township incurring negative fund balances.

We recommend the Township implement budgetary controls and ensure they are operating effectively to meet the required state statutes.

FINDING NUMBER 2010-007

Ohio Rev. Code, Section 149.351(A), provides that no public record shall be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Section 149.38 to 149.42.

The Township did not maintain the following supporting documentation relating to its 2010 budgetary cycle:

- Appropriation Resolution
- Certificate of Total Amount of Resources Available

To perform the necessary testing, the Auditor of State's office obtained these documents from the Brown County Auditor.

Officials' Response To The Findings Above:

The period of the audit, January 1, 2009 through December 31, 2011, was under the former fiscal officer whose term ended March 31, 2012. The new fiscal officer took office effective April 1, 2012. The items identified above are now being individually resolved. The manual method of our accounting/reporting system will be moved to the Uniform Accounting Network (UAN) system as soon as it is available which will resolve the accountability issues in a timely manner. The Township's policies and procedures will be posted in a Township Policies and Procedures manual located at the Township hall.

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SCOTT TOWNSHIP
BROWN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	OAC 117-2-01, not accurately recording receipts and disbursements and not accurately maintaining books.	No	Reissued as finding 2010-002.

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Dave Yost • Auditor of State

SCOTT TOWNSHIP

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2012**