



**Auditor of State  
Betty Montgomery**



**SCIOTO TOWNSHIP  
ROSS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Scioto Township  
Ross County  
164 South Watt Street  
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of Scioto Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Scioto Township, Ross County, Ohio, as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the audit committee, the Board of Trustees and other officials authorized to receive this report under § 117.26, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 28, 2005

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Non- Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Local Taxes	\$101,014	\$421,397	\$0	\$522,411
Intergovernmental	65,657	174,315	0	239,972
Licenses, Permits, and Fees	0	64,977	0	64,977
Earnings on Investments	4,349	485	180	5,014
Other Revenue	24,585	74,973	0	99,558
				0
Total Cash Receipts	<u>195,605</u>	<u>736,147</u>	<u>180</u>	<u>931,932</u>
<b>Cash Disbursements:</b>				
Current:				
General Government	279,446	0	0	279,446
Public Safety	0	114,802	0	114,802
Public Works	0	203,914	0	203,914
Health	0	285,440	0	285,440
Conservation-Recreation	200	0	0	200
Capital Outlay	0	105,209	0	105,209
Total Cash Disbursements	<u>279,646</u>	<u>709,365</u>	<u>0</u>	<u>989,011</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(84,041)	26,782	180	(57,079)
Fund Cash Balances, January 1	<u>154,544</u>	<u>567,648</u>	<u>28,684</u>	<u>750,876</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$70,503</u></b>	<b><u>\$594,430</u></b>	<b><u>\$28,864</u></b>	<b><u>\$693,797</u></b>

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

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND NONEXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Non- Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>		
<b>Cash Receipts:</b>					
Local Taxes	\$98,629	\$423,245	\$0	\$0	\$521,874
Intergovernmental	78,520	189,205	18,181	0	285,906
Licenses, Permits, and Fees	0	64,220	0	0	64,220
Earnings on Investments	6,419	639	0	248	7,306
Other Revenue	33,139	66,709	0	8,130	107,978
	<u>216,707</u>	<u>744,018</u>	<u>18,181</u>	<u>8,378</u>	<u>987,284</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	285,455	0	0	0	285,455
Public Safety	0	89,402	0	0	89,402
Public Works	50,000	229,707	18,181	0	297,888
Health	0	277,928	0	0	277,928
Capital Outlay	0	87,032	0	0	87,032
	<u>335,455</u>	<u>684,069</u>	<u>18,181</u>	<u>0</u>	<u>1,037,705</u>
<b>Total Cash Disbursements</b>					
Total Cash Receipts Over/(Under) Cash Disbursements	(118,748)	59,949	0	8,378	(50,421)
Fund Cash Balances, January 1	<u>273,292</u>	<u>507,699</u>	<u>0</u>	<u>20,306</u>	<u>801,297</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$154,544</b></u>	<u><b>\$567,648</b></u>	<u><b>\$0</b></u>	<u><b>\$28,684</b></u>	<u><b>\$750,876</b></u>

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



**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Scioto Township, Ross County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

**B. 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.

**C. Cash and Investments**

Repurchase agreements are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. 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:

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

**Road and Bridge Fund** – This fund receives property tax money for constructing maintaining and repairing Township roads and bridges.

**Cemetery Fund** – This fund receives general tax and the sale of lot fees assessed and fees for opening and closing of graves to maintain the cemetery lots.

**Fire District Fund** – This fund receives property tax money for operating fire and emergency services within the Township.

**3. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following Capital Projects Fund:

**Issue II Fund** - The Township received a grant from the State of Ohio in 2002 for street paving.

**4. Fiduciary Fund (Non-Expendable Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following Fiduciary Fund:

**Cemetery Bequest Fund** – Earnings on the corpus can be used for the terms of the bequest.

**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 cash as of January 1. The County Budget Commission must also approve estimated resources.

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**3. Encumbrances**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. 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 statement.

**G. Accumulated Leave**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$93,813	\$75,903
Repurchase agreement	599,984	674,973
Total deposits and investments	<u>\$693,797</u>	<u>\$750,876</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$219,066	\$195,605	(\$23,461)
Special Revenue	670,391	736,147	65,756
Nonexpendable Trust	100	180	80
Total	\$889,557	\$931,932	\$42,375

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$372,565	\$279,646	\$92,919
Special Revenue	1,236,057	709,365	526,692
Nonexpendable Trust	1,000	0	1,000
Total	\$1,609,622	\$989,011	\$620,611

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$225,430	\$216,707	(\$8,723)
Special Revenue	764,198	744,018	(20,180)
Capital Projects	18,181	18,181	0
Nonexpendable Trust	765	8,378	7,613
Total	\$1,008,574	\$987,284	(\$21,290)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$516,337	\$335,455	\$180,882
Special Revenue	1,204,599	684,069	520,530
Capital Projects	18,181	18,181	0
Nonexpendable Trust	1,000	0	1,000
Total	\$1,740,117	\$1,037,705	\$702,412

**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 the 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.

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**4. PROPERTY TAX (Continued)**

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 SYSTEM**

The Township's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**6. RISK MANAGEMENT**

**A. Ohio Government Risk Management Plan**

During 2002 and through February, 2003, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

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

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. Ohio Township Association Risk Management Authority**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2003 and 2002.

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(Continued)**

**7. SUBSEQUENT EVENT**

The Township approved the purchase of a new fire truck in the amount of \$235,000 from Stephan's Fire Equipment. This purchase is a 5 year lease-purchase. The fire truck was received in July, 2004.

**8. CONTINGENT LIABILITIES**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Scioto Township  
Ross County  
164 South Watt Street  
Chillicothe, Ohio 45601

To the Board of Trustees:

We have audited the accompanying financial statements of Scioto Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2003, and December 31, 2002, and have issued our report thereon dated February 28, 2005, wherein we noted the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003. We also noted a certain immaterial instance of noncompliance that we have reported to Township's management in a separate letter dated February 28, 2005.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to Township's management in a separate letter dated February 28, 2005.

This report is intended solely for the information and use of management, the audit committee, and the Board of Trustees, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

February 28, 2005

**SCIOTO TOWNSHIP  
ROSS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2003-001</b>
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**Finding for Recovery**

The employee leave policy that was approved by the Board of Trustees at their organizational meeting on January 4, 1999 states that “any vacation time not taken during the current year will be lost by the employee with no additional pay for vacation not taken.”

Frank Estep, former Township employee, was employed with the Township from March 24, 1997, to December 30, 1999. The Township paid Frank Estep for 63.55 hours of unused vacation leave on November 22, 2002, by check, in the amount of \$848.39. Paying for any accrued but unused vacation leave balances is contrary to the Township’s leave policy that was in effect at the time of resignation of Frank Estep.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Frank Estep, former Township employee, Willard Taylor, former Township Clerk, Russ Walkup, Paul Corcoran, and Tom Straub as Trustees of the Township, and the Ohio Government Risk Management Plan, the Clerk and Trustees’ bonding company, jointly and severally, in the amount of \$848.39 in favor of the General Fund.

<b>Finding Number</b>	<b>2003-002</b>
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**Finding for Recovery**

The employee leave policy in effect for the year ending December 31, 2002, that was approved by the Scioto Township Board of Trustees at their January 3, 2002, organizational meeting states that “after ten complete years of employment with the Township, allow three weeks paid vacation per year.” The policy also states that “vacation time not taken during the current year may be cashed in on the first pay in December.”

On December 21, 2002, the Township paid Township employee, Lewis Felts for five weeks of vacation leave. Mr. Felts did not use any of his annual three week vacation as covered under the leave policy in effect for 2002. However, as noted in the above policies no vacation leave can be carried forward from previous years. Therefore, paying for any vacation leave balances over three weeks is contrary to the Township leave policy in effect at the time of the payment. The amount of overpayment was \$1,235.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Lewis Felts, former Township employee, Willard Taylor, former Township Clerk, Russ Walkup, Paul Corcoran, and Tom Straub as Trustees of the Township, and the Ohio Government Risk Management Plan, the Clerk and Trustees’ bonding company, jointly and severally, in the amount of \$1,235 in favor of the Cemetery Fund.

SCIOTO TOWNSHIP  
ROSS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002  
(Continued)

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

Finding Number	2003-003
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**Certifying Funds Prior to Expenditure**

Ohio Rev. Code Section 5705.41 (D) (1) provides no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

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 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 (\$1,000 prior to April 7, 2003) 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) 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 specific, recurring and reasonably predictable operating expenses. 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.

Fifteen percent of the expenditures tested were not certified at the time of the obligation, nor were Then and Now Certificates issued.

We recommend the Clerk ensure funds are certified as available prior to the obligation through the issuance of a purchase order containing appropriate certification, or through the use of Then and Now certificates or so-called blanket or super blanket certificates.



**Auditor of State  
Betty Montgomery**

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**SCIOTO TOWNSHIP**

**ROSS 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  
JUNE 9, 2005**