



Mary Taylor, CPA
Auditor of State

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2008.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Fiduciary Fund Type - For the Year Ended December 31, 2007.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	23

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Scott Township
Sandusky County
2465 County Road 36
Kansas, Ohio 44841-9611

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 16, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Scott Township
Sandusky County
2465 County Road 36
Kansas, Ohio 44841-9611

To the Board of Trustees:

We have audited the accompanying financial statements of Scott Township, Sandusky County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 processes its financial transactions with 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Scott Township, Sandusky County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, for the year ended December 31, 2007, the Township changed its financial presentation from the cash basis comparable to the requirements of Governmental Accounting Standards No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* to the accounting practices the Auditor of State prescribes or permits.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 16, 2009

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$44,703	\$82,483	\$127,186
Charges for Services		3,150	3,150
Licenss, Permits, and Fees	1,017	1,500	2,517
Intergovernmental	141,424	119,811	261,235
Earnings on Investments	30	53	83
Miscellaneous	471	5,872	6,343
	<u>187,645</u>	<u>212,869</u>	<u>400,514</u>
Total Cash Receipts			
	<u>187,645</u>	<u>212,869</u>	<u>400,514</u>
Cash Disbursements:			
Current:			
General Government	66,090		66,090
Public Safety		74,146	74,146
Public Works		59,337	59,337
Health	653	34,361	35,014
	<u>66,743</u>	<u>167,844</u>	<u>234,587</u>
Total Cash Disbursements			
	<u>66,743</u>	<u>167,844</u>	<u>234,587</u>
Total Receipts Over Disbursements	<u>120,902</u>	<u>45,025</u>	<u>165,927</u>
Other Financing Receipts / (Disbursements):			
Sale of Capital Assets		1,700	1,700
Transfers-In		29,097	29,097
Transfers-Out	(29,097)		(29,097)
	<u>(29,097)</u>	<u>30,797</u>	<u>1,700</u>
Total Other Financing Receipts / (Disbursements)			
	<u>(29,097)</u>	<u>30,797</u>	<u>1,700</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	91,805	75,822	167,627
Fund Cash Balances, January 1	<u>3,291</u>	<u>21,077</u>	<u>24,368</u>
Fund Cash Balances, December 31	<u><u>\$95,096</u></u>	<u><u>\$96,899</u></u>	<u><u>\$191,995</u></u>

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

SCOTT TOWNSHIP
SANDUSKY COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Operating Cash Receipts:	
Earnings on Investments	<u>\$184</u>
Operating Cash Disbursements:	
Other	<u>150</u>
Operating Income	<u>34</u>
Fund Cash Balances, January 1	<u>6,259</u>
Fund Cash Balances, December 31	<u><u>\$6,293</u></u>

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Other Local Taxes	\$46,275	\$86,112		\$132,387
Charges for Services		2,550		2,550
Licenses, Permits, and Fees	1,710	1,225		2,935
Intergovernmental	49,865	119,028	\$83,750	252,643
Earnings on Investments	153	261		414
Miscellaneous	804	4,666		5,470
				<hr/>
Total Cash Receipts	<u>98,807</u>	<u>213,842</u>	<u>83,750</u>	<u>396,399</u>
Cash Disbursements:				
Current:				
General Government	67,703			67,703
Public Safety		76,778		76,778
Public Works		141,885		141,885
Health	397	32,880		33,277
Capital Outlay			83,750	83,750
				<hr/>
Total Cash Disbursements	<u>68,100</u>	<u>251,543</u>	<u>\$83,750</u>	<u>403,393</u>
Total Receipts Over/(Under) Disbursements	<u>30,707</u>	<u>(37,701)</u>		<u>(6,994)</u>
Other Financing Receipts / (Disbursements):				
Transfers-In		36,808		36,808
Transfers-Out	(36,937)			(36,937)
				<hr/>
Total Other Financing Receipts / (Disbursements)	<u>(36,937)</u>	<u>36,808</u>		<u>(129)</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(6,230)	(893)		(7,123)
Fund Cash Balances, January 1	<u>9,521</u>	<u>21,970</u>		<u>31,491</u>
Fund Cash Balances, December 31	<u>\$3,291</u>	<u>\$21,077</u>		<u>\$24,368</u>

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts:	
Earnings on Investments	\$64
Operating Cash Disbursements:	
Other	240
Operating Loss	(176)
Transfers-In	129
Net Disbursements Over Receipts	(47)
Fund Cash Balances, January 1	6,306
Fund Cash Balances, December 31	\$6,259

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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, Sandusky County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and refuse collection services. The Township contracts with the Risingsun Volunteer Fire Department, Bradner Volunteer Fire Department, Helena Volunteer Fire Department and Kansas Volunteer Fire Department for fire protection services.

The Township participates in operating the Metzger Cemetery, a jointly governed organization with Jackson Township and the Ohio Township Association Risk Management Authority (OTARMA), public entity risk pool. Notes 7 and 9 to the financial statements provides additional information for these entities.

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

B. Accounting Basis

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

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

C. Fund Accounting

The Township uses fund accounting to segregate cash that is 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 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 Levy Fund - This fund receives property tax revenues to pay for fire protection services within the Township.

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to repair a Township road.

4. Fiduciary Funds

Fiduciary funds are the Township's private purpose trust funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust funds are for the benefit of certain individual's grave sites.

D. 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.

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.

A summary of 2008 and 2007 budgetary activity appears in Note 4.

E. 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.

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

2. Change in Financial Statement Presentation

In 2006, the Township reported the financial statements on the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34. For 2007, the Township reported on a regulatory basis. The Township no longer presents entity wide financial statements. The fund financial statements now present a column for each fund type, rather than a separate column for each major fund with nonmajor funds aggregated and presented in a single column. In addition, the Township reclassified its permanent fund to a private purpose trust fund to better reflect the intended use of the funds.

3. Equity in Pooled Deposits

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

	2008	2007
Demand deposits	\$192,563	\$24,902
Certificates of deposit	5,725	5,725
Total deposits	\$198,288	\$30,627

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

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,455	\$187,645	\$105,190
Special Revenue	227,368	243,666	16,298
Trust	16	184	168
Total	\$309,839	\$431,495	\$121,656

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,091	\$95,840	\$97,251
Special Revenue	269,005	167,844	101,161
Trust	1,801	150	1,651
Total	\$463,897	\$263,834	\$200,063

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Budgetary Activity (Continued)

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,824	\$98,807	(\$2,017)
Special Revenue	267,606	250,650	(16,956)
Capital Projects		83,750	83,750
Trust	271	193	(78)
Total	\$368,701	\$433,400	\$64,699

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$108,633	\$105,037	\$3,596
Special Revenue	309,401	251,543	57,858
Capital Projects	85,750	83,750	2,000
Trust	271	240	31
Total	\$504,055	\$440,570	\$63,485

Contrary to Ohio law, the Township did not request amended certificates in accordance with ORC §5705.36 and appropriations exceeded estimated resources contrary to ORC §5705.39.

5. Property Tax

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

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

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

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

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. 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. 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$3,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2006	\$3,772
2007	\$3,286
2008	\$3,244

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

8. Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

9. Jointly Governed Organization

Scott and Jackson Township jointly operate the Metzger Cemetery in Sandusky County (the Cemetery). A six-member Board of Trustees governs the Cemetery. Each political subdivision appoints their board members. Jackson Township pays Scott Township to meet the Cemetery's operating costs. Scott Township provides grounds maintenance, opening and closing of graves, and the sale of grave lots for the cemetery.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

Scott Township
Sandusky County
2465 County Road 36
Kansas, Ohio 44841-9611

To the Board of Trustees:

We have audited the financial statements of Scott Township, Sandusky County, Ohio (the Township), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated July 16, 2009, wherein we noted in 2007 the Township began preparing its financial statements in accordance with accounting practices the Auditor of State prescribes. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-004 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 16, 2009.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2008-001 through 2008-003.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 16, 2009.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 16, 2009

**SCOTT TOWNSHIP
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

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

FINDING NUMBER 2008-001

Finding For Recovery Repaid Under Audit

Per **Ohio Revised Code, §§ 505.24 and 507.09**, Township Trustee salaries are based on the annual budget of the Township. The Township's final amended certificate of estimated resources, dated November 1, 2007, had a budget of \$406,499 for 2007. Based on this, the Trustees' 2007 salary is calculated at \$41.29 per day for 200 days or \$8,258. Trustee M. Roger Below was actually paid 13 installments totaling \$8,946.08 for an overpayment of \$688.08.

In accordance with the foregoing facts and pursuant to Ohio Revised Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against M. Roger Below, Trustee and in favor of the Scott Township General Fund.

The Finding for Recovery was repaid during the audit on July 5, 2009 and was credited to the General Fund.

Officials' Response:

The Fiscal Officer acknowledges than an error was made and the former trustee has agreed to repay the funds.

FINDING NUMBER 2008-002

Noncompliance Citation

Ohio Revised Code, Section 5705.39, states total appropriations from each fund shall not exceed the total estimated resources available for expenditure therefrom, as certified by the budget commission or in the case of appeal, to the board of tax appeals.

The Township had appropriations in excess of estimated resources in the following funds for the following amounts as of December 31, 2008 and 2007:

**FINDING NUMBER 2008-002
 (Continued)**

Fund	Appropriations	Estimated Resources	Variances
As of December 31, 2008			
General	\$193,091	\$85,755	(\$107,336)
Cemetery	21,769	16,269	(5,500)
Fire Levy	77,413	73,816	(3,597)
Refuse Levy	22,170	9,718	(12,452)
Bowman Trust	815	300	(515)
Day Trust	986	249	(737)
As of December 31, 2007			
Gasoline Tax	122,536	120,823	(1,713)
Road and Bridge	34,035	15,859	(18,176)
Fire Levy	80,087	80,080	(7)
Refuse Levy	19,337	18,237	(1,100)
Issue II	83,750		(83,750)

We recommend the Board monitor the budgetary activity of the Township and either approve supplemental appropriations or obtain increased amended certificates of estimated resources in order to stay in compliance with Ohio law.

Officials' Response:

The Fiscal Officer will monitor appropriations to make sure they are within estimated resources.

FINDING NUMBER 2008-003

Noncompliance Citation

Ohio Revised Code, Section 5705.36(A)(2), allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Rev. Code, Section 5705.36(A) (3), requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. Ohio Rev. Code, Section 5705.36(A) (4), states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation.

We found the following variances that met the requirement for obtaining an increased amended certificate:

**FINDING NUMBER 2008-003
(Continued)**

<u>Fund</u>	<u>Estimated Resources</u>	<u>Actual Resources</u>	<u>Excess</u>	<u>Appropriations</u>	<u>Expenditures</u>
As of December 31, 2008					
General	\$85,755	\$190,945	\$105,190	\$193,091	\$95,840
Fire Levy	73,816	79,790	5,974	77,413	74,146
Refuse Levy	9,718	25,920	16,202	22,170	18,441
As of December 31, 2007					
Issue II		83,750	83,750	83,750	83,750

We found the following variances that met the requirement for obtaining a reduced amended certificate:

<u>Fund</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Deficiency</u>	<u>Available Resources in Excess of Appropriations</u>	<u>Actual Resources Less Than Appropriations</u>
As of December 31, 2008					
Motor Vehicle License	\$17,700	\$15,056	(\$2,644)		(\$2,644)
Gasoline Tax	96,000	91,612	(4,388)		(4,388)
Bowman Trust	10	8	(2)	(515)	(517)
As of December 31, 2007					
General	100,824	98,807	(2,017)	1,713	(304)
Motor Vehicle	17,700	13,526	(4,174)		(4,174)
Road and Bridge	15,088	14,591	(497)	(18,176)	(18,673)
Cemetery	31,000	15,426	(15,574)		(15,574)
Fire Levy	80,080	76,616	(3,464)	(7)	(3,471)
Refuse Levy	17,738	15,599	(2,139)	(1,100)	(3,239)
Ludwig Trust	249	180	(69)	61	(8)

We recommend the Township obtain amended certificates as required.

Officials' Response:

The Fiscal Officer will obtain amended certificates of estimated resources as required.

FINDING NUMBER 2008-004

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material audit adjustments. For fiscal year 2007, Intergovernmental receipts and Capital Outlay expenditures (\$64,534) were not recorded in the Issue II fund.

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

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the annual report by the Board and the Fiscal Officer to identify and correct errors and omissions.

This weakness resulted in additional audit time to investigate the differences and prepare the audit adjustments.

Officials' Response:

The Fiscal Officer acknowledges errors were made and will post these transactions correctly in the future.

SCOTT TOWNSHIP
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC 5705.41(D), Failure to properly certify the availability of funds.	Yes	



Mary Taylor, CPA
Auditor of State

SCOTT TOWNSHIP
SANDUSKY 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
AUGUST 4, 2009