



*SCIOTO TOWNSHIP, ROSS COUNTY*

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**Regular Audit**

**For the Years Ended December 31, 2011 and 2010**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







# Dave Yost • Auditor of State

Board of Trustees  
Scioto Township  
PO Box 1975  
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of Scioto Township, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2010 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Scioto Township is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

May 16, 2012

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For the Years Ended December 31, 2011 and 2010

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## Independent Auditor's Report

Board of Trustees  
Scioto Township, Ross County  
164 South Watt Street  
Chillicothe, OH 45601

We have audited the accompanying financial statements of Scioto Township (the Township), Ross County as of and for the years ended December 31, 2011 and 2010. 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 of America. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Township 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.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2011 and 2010. Instead of the combined funds the accompanying financial statements presents for 2011 and 2010, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2011 and 2010. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

Board of Trustees  
Scioto Township, Ross County  
Independent Auditor's Report

Also, in our opinion the financial statements referred to in the first paragraph above presents fairly, in all material respects, the combined fund cash balances of the Township, as of December 31, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 2 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2011 and 2010. 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.

As described in Note 3, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2012 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. While we do 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* and should be read in conjunction with this report when considering the results of our audit.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

March 2, 2012



**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2011**

	Governmental Fund Types			Totals
	General	Special Revenue	Permanent	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$114,099	\$567,673	\$0	\$681,772
Intergovernmental	74,790	115,786	0	190,576
Charges for Services	0	167,490	0	167,490
Licenses, Permits, and Fees	0	97,062	0	97,062
Earnings on Investments	659	71	4	734
Other Revenue	36,435	75,065	0	111,500
<b>Total Cash Receipts</b>	<b>225,983</b>	<b>1,023,147</b>	<b>4</b>	<b>1,249,134</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	144,728	32,806	0	177,534
Public Safety	0	199,267	0	199,267
Public Works	0	243,145	0	243,145
Health	0	298,583	0	298,583
Capital Outlay	0	139,200	0	139,200
<i>Debt Service:</i>				
Redemption of Principal	0	20,000	0	20,000
Interest and Fiscal Charges	0	3,590	0	3,590
<b>Total Cash Disbursements</b>	<b>144,728</b>	<b>936,591</b>	<b>0</b>	<b>1,081,319</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>81,255</b>	<b>86,556</b>	<b>4</b>	<b>167,815</b>
<b><u>Other Financing Receipts:</u></b>				
Other Financing Sources	0	3,150	0	3,150
<b>Total Other Financing Receipts</b>	<b>0</b>	<b>3,150</b>	<b>0</b>	<b>3,150</b>
Excess of Revenues and Other Financing Receipts (Uses) Over (Under) Expenditures and Other Uses	81,255	89,706	4	170,965
Fund Cash Balances, January 1, As Restated (See Note 3)	34,056	1,022,830	31,857	1,088,743
<b><u>Fund Cash Balances, December 31</u></b>				
Nonspendable	0	0	20,000	20,000
Restricted	0	1,112,536	11,861	1,124,397
Unassigned (Deficit)	115,311	0	0	115,311
<b>Fund Cash Balances, December 31</b>	<b>\$115,311</b>	<b>\$1,112,536</b>	<b>\$31,861</b>	<b>\$1,259,708</b>

See accompanying notes to the financial statements.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Combined Statement of Cash Receipts, Cash Disbursements, and**  
**Changes in Fund Cash Balances**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2010**

	Governmental Fund Types			Totals
	General	Special Revenue	Permanent	
<b><u>Cash Receipts:</u></b>				
Local Taxes	\$99,594	\$512,410	\$0	\$612,004
Intergovernmental	71,243	192,452	0	263,695
Charges for Services	0	86,023	0	86,023
Licenses, Permits, and Fees	0	108,925	0	108,925
Earnings on Investments	725	127	9	861
Other Revenue	50,608	95,090	0	145,698
<b>Total Cash Receipts</b>	<b>222,170</b>	<b>995,027</b>	<b>9</b>	<b>1,217,206</b>
<b><u>Cash Disbursements:</u></b>				
<i>Current:</i>				
General Government	206,121	52,446	0	258,567
Public Safety	0	198,099	0	198,099
Public Works	0	304,855	0	304,855
Health	0	350,911	0	350,911
Capital Outlay	0	23,004	0	23,004
<i>Debt Service:</i>				
Redemption of Principal	0	21,189	0	21,189
Interest and Fiscal Charges	0	3,780	0	3,780
<b>Total Cash Disbursements</b>	<b>206,121</b>	<b>954,284</b>	<b>0</b>	<b>1,160,405</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>16,049</b>	<b>40,743</b>	<b>9</b>	<b>56,801</b>
<b><u>Other Financing Receipts:</u></b>				
Other Financing Sources	16	131	0	147
<b>Total Other Financing Receipts</b>	<b>16</b>	<b>131</b>	<b>0</b>	<b>147</b>
Excess of Revenues and Other Financing Receipts (Uses) Over (Under) Expenditures and Other Uses	16,065	40,874	9	56,948
Fund Cash Balances, January 1, As Restated (See Note 3)	16,254	978,034	31,848	1,026,136
<b>Fund Cash Balances, December 31</b>	<b>\$32,319</b>	<b>\$1,018,908</b>	<b>\$31,857</b>	<b>\$1,083,084</b>

See accompanying notes to the financial statements.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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**Note 1 – Reporting Entity**

Scioto Township, Ross County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, 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.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Accounting**

The Township's 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. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**Fund Accounting**

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

**General Fund:** The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

**Special Revenue Funds:** These funds are used to account for proceeds from specific sources (other than 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 is comprised of taxes on the sale of gasoline which is distributed to the Township based upon road mileage determined by the state, and used for the repair and maintenance of Township roads.

*Road and Bridge Fund* - This fund receives property tax money to pay for constructing, maintaining and repairing Township roads and bridges.

*Cemetery Fund* - This fund receives general tax money, funds from the sale of lots and fees for opening and closing graves that are used to maintain the cemetery.

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

**Debt Service Fund:** The debt service fund is used to accumulate resources for the payment of bond and note indebtedness. The Township had the following significant Debt Service Fund:

*General Bond (Note) Retirement Fund* – This fund receives tax monies for the payment of a note used to purchase a fire department tanker truck.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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**Note 2 – Summary of Significant Accounting Policies** - (continued)

**Capital Project 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 significant Capital Project Funds:

*Issue I Fund* – This fund is used to account for Issue I monies received and expended by the Ross County Engineer on behalf of the Township for road and bridge maintenance.

**Permanent Fund:** These funds are used to account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township’s program. The Township had the following significant Permanent Fund.

*Cemetery Bequest Fund* – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the upkeep and/or improvements to the cemeteries within the Township.

**Budgetary Process**

The Ohio Revised Code requires that each Township fund be budgeted annually.

**Appropriations:** Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The Ross County Budget Commission must also approve the annual appropriation measure.

**Estimated Resources:** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The Ross County Budget Commission must also certify estimated resources.

**Encumbrances:** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 5.

**Fund Balances**

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

**Restricted:** Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed:** Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 2 – Summary of Significant Accounting Policies** - (continued)

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted or committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**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.

**Note 3 – Change in Accounting Principle and Prior Period Adjustment**

For 2011, the Township implemented GASB Statement No. 54, "Fund Balances Reporting and Governmental Fund Type Definitions". The implementation of this statement did not result in any change in the Townships financial statements.

**2011 Prior Period Adjustment**

In January 2011, the Township had voided previously issued checks. This resulted in a restatement of the prior period cash balance.

	General Fund	Special Revenue Funds
Net Assets at December 31, 2010	\$32,319	\$1,018,908
Overstatement of Cash and Cash Equivalents	1,737	3,922
Adjusted net Assets at December 31, 2010	<u>\$34,056</u>	<u>\$1,022,830</u>

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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**Note 3 – Change in Accounting Principle and Prior Period Adjustment-** (continued)

2010 Prior Period Adjustment

In 2010, the Township had an adjusting item from the Reconciliation performed by the Auditor of State’s office. This resulted in a restatement of the prior period cash balance.

	General Fund
Net Assets at December 31, 2009	\$16,872
Understatement of Cash and Cash Equivalents	(618)
Adjusted net Assets at December 31, 2009	\$16,254

**Note 4 – Cash and Investments**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The Township had no investments at year end. The carrying amount of cash at year end was as follows:

	December 31, 2011	December 31, 2010
Demand Deposits	\$1,259,708	\$1,083,084
	\$1,259,708	\$1,083,084

*Deposits:* Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution’s public entity deposit pool.

**Note 5– Budgetary Basis of Accounting**

The Township’s budgetary activity for the years ending December 31, 2011 and December 31, 2010 was as follows:

2011 Budgeted vs. Actual Receipts			
	Receipts		
Fund Type	Budgeted	Actual	Variance
General	\$228,614	\$225,983	(\$2,631)
Special Revenue	955,085	1,026,297	71,212
Permanent	0	4	4
<i>Total</i>	\$1,183,699	\$1,252,284	\$68,585

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**Note 5 – Budgetary Basis of Accounting** - (continued)

2011 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,904	\$144,728	\$90,176
Special Revenue	1,969,472	936,591	1,032,881
Permanent	0	0	0
<i>Total</i>	<u>\$2,204,376</u>	<u>\$1,081,319</u>	<u>\$1,123,057</u>

2010 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$206,624	\$222,186	\$15,562
Special Revenue	986,239	995,158	8,919
Permanent	550	9	(541)
<i>Total</i>	<u>\$1,193,413</u>	<u>\$1,217,353</u>	<u>\$23,940</u>

2010 Budgeted vs. Actual Budgetary Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$361,010	\$206,121	\$154,889
Special Revenue	1,792,649	954,284	838,365
Permanent	0	0	0
<i>Total</i>	<u>\$2,153,659</u>	<u>\$1,160,405</u>	<u>\$993,254</u>

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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**Note 6- Debt**

Debt outstanding at December 31, 2011 was as follows:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Balance 12-31-10</u>	<u>Issued in 2010</u>	<u>Retired in 2010</u>	<u>Principal Balance 12-31-11</u>
General Obligation Note-Ambulance	2009	4.5%	\$78,811	\$0	\$20,000	\$58,811
Total			<u>\$78,811</u>	<u>\$0</u>	<u>\$20,000</u>	<u>\$58,811</u>

Debt outstanding at December 31, 2010 was as follows:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Balance 12-31-09</u>	<u>Issued in 2010</u>	<u>Retired in 2010</u>	<u>Principal Balance 12-31-10</u>
General Obligation Note-Ambulance	2009	4.5%	\$100,000	\$0	\$21,189	\$78,811
Total			<u>\$100,000</u>	<u>\$0</u>	<u>\$21,189</u>	<u>\$78,811</u>

In 2009, the Township issued a general obligation note in the amount of \$100,000 to purchase a new ambulance for the Township.

<u>Year ending December 31:</u>	<u>2009 Ambulance</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$58,811	\$2,374
Total	<u>\$58,811</u>	<u>\$2,374</u>

**Note 7 – Property Taxes**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by 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 semi-annual payments, the first half is due December 31, and 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 April 30.



**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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**Note 7 – Property Taxes-** (continued)

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

The full tax rate for all Township operations for the years ended December 31, 2011 and 2010 was \$7.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 and 2010 property tax receipts were based are as follows:

	2011	2010
Real Property		
Residential & Agricultural	\$315,859,770	\$322,599,000
Commercial/Industrial/Mineral	146,570,470	146,500,310
Tangible Personal Property	1,546,710	3,207,730
Public Utility	24,663,510	23,090,460
Total Assessed Value	\$488,640,460	\$495,397,500

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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, including loss adjustment expenses. 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 \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Notes to the Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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**Note 8 – Risk Management-** (continued)

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverage's to the Pools.

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.

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, 2010 and 2009:

	2010	2009
Assets	\$ 35,855,252	\$ 38,982,088
Liabilites	10,664,724	12,880,766
Net Assets	25,190,528	26,101,322

At December 31, 2010 and 2009, respectively, liabilities noted above include approximately \$9.9 million and \$12.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$9.5 million 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. The township's share of these unpaid claims is approximately \$60,684.

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2010 and 2009 were \$25,196 and \$22,209, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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

**SCIOTO TOWNSHIP, ROSS COUNTY**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2011 and 2010*

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**Note 9 – Retirement Systems**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2011 and 2010, members contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. For 2011 and 2010, OPERS members contributed \$20,495 and \$19,176 respectively, of their gross salaries and the Township contributed an amount equaling \$28,303 and \$26,482 respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**Note 10 – Subsequent Events**

At December 31, 2011, the Township had a general obligation note in the amount of \$58,811 for a new ambulance. During January 2012, the Township paid off early the remaining amount of the loan.

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards**

Board of Trustees  
Scioto Township, Ross County  
164 South Watt Street  
Chillicothe, OH 45601

We have audited the accompanying financial statement of Scioto Township, Ross County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated March 2, 2012 wherein we noted that the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and wherein we noted the Township adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 of America.

**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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 described in the accompanying schedule of findings to be a material weakness.

Board of Trustees  
Scioto Township, Ross County  
Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards

### **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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated March 2, 2012.

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

We intend this report solely for the information and use of the Board of Trustees and management, and it is not intended to be and should not be used by anyone other than these specified parties.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

March 2, 2012

**SCIOTO TOWNSHIP, ROSS COUNTY**  
*Schedule of Findings*  
*For the Years Ended December 31, 2011 and 2010*

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

***Finding Number 2011-001***

**Financial Statement Adjustments - Material Weakness**

Rule 117-2-01(A) and 117-2-01(B)(1) of the Ohio Administrative Code directs all public offices to design and operate a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The following audit adjustments were made to the December 31, 2011 financial statements:

1. To correctly record debt payments.
2. To correctly categorize fund balances in the Cemetery and Fire and Rescue, Ambulance and EMS Service.

The following audit adjustments were made to the December 31, 2010 financial statements:

1. To reclassify tax and intergovernmental revenue in the General Fund and special revenue funds.
2. To correctly record debt payments.

These proposed adjustments have been made to the financial statements for both years.

There were also several instances of errors in posting items at the object level. Since, they were at the object level and would not reflect a change on the financial statements; we did not propose adjustments for those items. We recommend the Township Fiscal officer refer to the UAN Chart of Accounts definitions included in the Township Accounting Manual for proper classifications and use due care in posting to the Township's books.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Schedule of Findings**  
**For the Years Ended December 31, 2011 and 2010**

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<i>Finding Number 2010-001- continued</i>
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We recommend the Township adopt policies and procedures for controls over recording of financial transactions and over financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increasing the reliability of the financial data throughout the year.

**Officials' Response**

After review of the reclassification entries, the Township agrees that the disbursement and receipts were incorrectly recorded. These reclassification entries have been made to the financial statements. The Township will carefully review the disbursement and receipt postings to help ensure this does not happen in the future. The current Fiscal Officer is taking additional care in posting transactions to the Township's ledgers and seeking help if there is a question. The current Fiscal Officer has worked diligently to make sure the financial statements will reflect the appropriate sources of the Township's receipts and disbursements in the future.

**SCIOTO TOWNSHIP, ROSS COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2011 and 2010**

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Description	Status	Comments
<b>Government Auditing Standards:</b>		
1. <i>Significant Deficiency and Material Weakness</i> - Posting of receipts and expenditures, which resulted in adjustments to the Financial Statements.	Not Corrected	Reissued as finding 2010-001. The prior audit adjustments to the fund balances have been made to the Township's UAN accounting system.
2. <i>Non-Compliance Citation</i> – Actual Receipts Less than Estimated Receipts.	Partially Corrected	Reissued as management letter comment.





# Dave Yost • Auditor of State

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  
MAY 29, 2012