



Dave Yost • Auditor of State



**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Scioto Township  
Delaware County  
3737 Ostrander Road  
Ostrander, Ohio 43061

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Scioto Township, Delaware County, Ohio, (the Township) as of and for the years ended December 31, 2014 and 2013.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Scioto Township, Delaware County, Ohio, as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2016, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 14, 2016

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$ 123,942	\$ 319,950	\$ 161,700	\$ -	\$ -	\$ 605,592
Licenses, Permits and Fees	7,248	16,432	-	-	-	23,680
Intergovernmental	37,567	161,174	25	-	-	198,766
Earnings on Investments	133	19	-	-	1	153
Miscellaneous	3,248	21,086	-	-	-	24,334
<i>Total Cash Receipts</i>	<u>172,138</u>	<u>518,661</u>	<u>161,725</u>	<u>-</u>	<u>1</u>	<u>852,525</u>
<b>Cash Disbursements</b>						
Current:						
General Government	123,806	-	-	-	-	123,806
Public Safety	-	192,591	-	-	-	192,591
Public Works	8,751	102,408	-	-	-	111,159
Health	23,833	8,132	-	-	-	31,965
Conservation-Recreation	22,328	-	-	-	-	22,328
Capital Outlay	-	15,534	2,260	-	-	17,794
Debt Service:						
Principal Retirement	-	-	136,390	-	-	136,390
Interest and Fiscal Charges	-	-	67,028	-	-	67,028
<i>Total Cash Disbursements</i>	<u>178,718</u>	<u>318,665</u>	<u>205,678</u>	<u>-</u>	<u>-</u>	<u>703,061</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,580)</u>	<u>199,996</u>	<u>(43,953)</u>	<u>-</u>	<u>1</u>	<u>149,464</u>
<b>Other Financing Receipts (Disbursements)</b>						
Transfers In	-	-	7,500	-	-	7,500
Transfers Out	-	(7,500)	-	-	-	(7,500)
Other Financing Uses	(1,922)	-	-	-	-	(1,922)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,922)</u>	<u>(7,500)</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>(1,922)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,502)</u>	<u>192,496</u>	<u>(36,453)</u>	<u>-</u>	<u>1</u>	<u>147,542</u>
<i>Fund Cash Balances, January 1</i>	<u>163,226</u>	<u>340,490</u>	<u>83,785</u>	<u>5,450</u>	<u>1,978</u>	<u>594,929</u>
<b>Fund Cash Balances, December 31</b>						
Nonspendable	-	-	-	-	1,015	1,015
Restricted	-	456,099	47,332	5,450	964	509,845
Committed	-	76,887	-	-	-	76,887
Assigned	132,737	-	-	-	-	132,737
Unassigned (Deficit)	21,987	-	-	-	-	21,987
<i>Fund Cash Balances, December 31</i>	<u>\$ 154,724</u>	<u>\$ 532,986</u>	<u>\$ 47,332</u>	<u>\$ 5,450</u>	<u>\$ 1,979</u>	<u>\$ 742,471</u>

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

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
<b>Cash Receipts</b>						
Property and Other Local Taxes	\$ 112,905	\$ 314,620	\$ 141,162	\$ -	\$ -	\$ 568,687
Licenses, Permits and Fees	9,800	10,523	-	-	-	20,323
Intergovernmental	117,565	151,163	20,287	-	-	289,015
Special Assessments	-	6,503	-	-	-	6,503
Earnings on Investments	135	28	-	-	6	169
Miscellaneous	2,687	38,668	1,975	-	45	43,375
<i>Total Cash Receipts</i>	<u>243,092</u>	<u>521,505</u>	<u>163,424</u>	<u>-</u>	<u>51</u>	<u>928,072</u>
<b>Cash Disbursements</b>						
Current:						
General Government	132,890	6,606	-	-	-	139,496
Public Safety	-	199,658	-	-	-	199,658
Public Works	8,693	113,724	-	-	-	122,417
Health	15,093	14,781	-	-	-	29,874
Conservation-Recreation	23,793	-	-	-	-	23,793
Capital Outlay	-	9,508	2,315	-	-	11,823
Debt Service:						
Principal Retirement	-	76,808	107,500	-	-	184,308
Interest and Fiscal Charges	-	-	73,627	-	-	73,627
<i>Total Cash Disbursements</i>	<u>180,469</u>	<u>421,085</u>	<u>183,442</u>	<u>-</u>	<u>-</u>	<u>784,996</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>62,623</u>	<u>100,420</u>	<u>(20,018)</u>	<u>-</u>	<u>51</u>	<u>143,076</u>
<b>Other Financing Receipts (Disbursements)</b>						
Transfers In	5	-	93,935	-	353	94,293
Transfers Out	(353)	(93,935)	-	-	(5)	(94,293)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(348)</u>	<u>(93,935)</u>	<u>93,935</u>	<u>-</u>	<u>348</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	62,275	6,485	73,917	-	399	143,076
<i>Fund Cash Balances, January 1</i>	<u>100,951</u>	<u>334,005</u>	<u>9,868</u>	<u>5,450</u>	<u>1,579</u>	<u>451,853</u>
<b>Fund Cash Balances, December 31</b>						
Nonspendable	-	-	-	-	1,015	1,015
Restricted	-	285,079	83,785	5,450	963	375,277
Committed	-	55,411	-	-	-	55,411
Assigned	163,225	-	-	-	-	163,225
Unassigned (Deficit)	1	-	-	-	-	1
<i>Fund Cash Balances, December 31</i>	<u>\$ 163,226</u>	<u>\$ 340,490</u>	<u>\$ 83,785</u>	<u>\$ 5,450</u>	<u>\$ 1,978</u>	<u>\$ 594,929</u>

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



**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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 the Scioto Township, Delaware 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 emergency medical services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 to the financial statements provides additional information for this entity. The organization is:

Public Entity Risk Pool:

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a governmental risk-sharing pool whose members consist solely of Ohio townships.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Special Levy – Fire Fund – This fund receives property tax money to provide fire services for the Township.

**3. Debt Service Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

General Bond Debt Service Fund – This fund receives property tax money to retire the bonded debt associated with the construction of the fire house.

General Bond Note Fund – This fund is used to retire debt for the Township's Fire Truck Lease Purchase Agreement.

**4. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project fund:

Bond Fund – This fund is used to account for bond receipts and related expenditures issued for the purpose of financing capital projects.

**5. Permanent Funds**

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Amos Main Cemetery Bequest Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

**E. Budgetary Process**

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

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**E. Budgetary Process (Continued)**

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

**F. Fund Balance**

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:

**1. Nonspendable**

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

**2. 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.

**3. 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  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**F. Fund Balance (Continued)**

**4. 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.

**5. 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.

**G. 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.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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

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

	2014	2013
Demand deposits	\$497,206	\$349,746
Certificates of deposit	1,002	1,000
Total deposits	498,208	350,746
 STAR Ohio	 244,263	 244,183
Total deposits and investments	\$742,471	\$594,929

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)**

**Deposits:**

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

**Investments:**

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$147,340	\$172,138	\$24,798
Special Revenue	485,361	518,661	33,300
Debt Service	228,417	169,225	(59,192)
Permanent	1,425	1	(1,424)
Total	\$862,543	\$860,025	(\$2,518)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$181,050	(\$181,050)
Special Revenue	0	333,969	(333,969)
Debt Service	0	205,678	(205,678)
Permanent	0	0	0
Total	\$0	\$720,697	(\$720,697)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$241,255	\$243,097	\$1,842
Special Revenue	510,228	521,505	11,277
Debt Service	255,370	257,359	1,989
Permanent	365	404	39
Total	\$1,007,218	\$1,022,365	\$15,147

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$200,309	\$180,822	\$19,487
Special Revenue	778,986	515,020	263,966
Debt Service	252,435	183,442	68,993
Permanent	0	5	(5)
Total	\$1,231,730	\$879,289	\$352,441

Contrary to Ohio law, the Township did not adopt a permanent appropriation measure for the year ended December 31, 2014.

**4. PROPERTY TAX**

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
Capital Facilities Bonds	\$900,000	5.25%
Delaware County Note	\$23,311	Varies
2012 Fire Truck Lease	358,521	Varies
Total	\$1,281,832	

In December 2003, the Township issued Capital Facilities Bonds in the amount of \$1,600,000, consisting of \$1,000,000 Serial Bonds and \$600,000 Term Bonds. The Township's taxing authority collateralized the bonds. The bonds shall mature in the principal amounts and shall bear interest at the rates per annum as follows: 2013 - \$600,000 bearing interest at 4%, each subsequent year from 2014 through 2023 - \$100,000 per year bearing interest at 5.25%.

The bonds maturing on or after 2014 are subject to prior redemption on or after December 1, 2013 by and at the sole option of the Township, in multiples of \$5,000, at par plus accrued interest to the redemption rate. In no event shall any redemption cause any bonds to be outstanding in a denomination which is less than \$100,000.

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**5. DEBT (Continued)**

In 2011, the Township entered into an agreement with Delaware County for a loan in the amount of \$53,311 for the Township's share of the costs for the 2011 Ohio Public Works Commission (OPWC) DeGood Road Improvement project. The Township is not bound by a set payment schedule. The terms of the agreement require the Township to pay principal and interest in twelve annual installments on or before the first day of July each year, commencing on July 1, 2012. The Township may prepay all or any part of the principal without penalty. Interest is charged at the STAR Ohio rate, compounded monthly. In 2014 and 2013 the Township paid \$7,500 and \$15,000, respectively, towards the principal of the loan.

In 2012, the Township entered into a new lease agreement for the purchase of a fire truck. The terms require annual payments to be made until December 2021.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Capital Facilities Bonds	2012 Fire Truck Lease
2015	\$147,250	\$86,435
2016	142,000	43,418
2017	136,750	86,435
2018	131,500	43,418
2019	126,250	86,435
2020-2023	452,500	60,612
Total	\$1,136,250	\$406,753

**6. RETIREMENT SYSTEMS**

The Township's elected officials and 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 2014 and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

**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.

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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, 2013 and 2014 (the latest information available):

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

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$7.9 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.2 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2013 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of these unpaid claims collectible in future years is approximately \$10,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.



**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

**7. RISK MANAGEMENT (Continue)**

<b><u>Contributions to OTARMA</u></b>	
<b><u>2013</u></b>	<b><u>2014</u></b>
\$20,083	\$20,057

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Scioto Township  
Delaware County  
3737 Ostrander Road  
Ostrander, Ohio 43061

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Scioto Township, Delaware County, Ohio, (the Township) as of and for the year ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2014-001 to be a significant deficiency.

***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, opining 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-002.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

June 14, 2016

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013**

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

**FINDING NUMBER 2014-001**

**Cash Reconciliation – Significant Deficiency**

Strong monitoring practices of Township financial activities are the responsibility of the Fiscal Officer and Board of Trustees and are essential to help ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time of reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Additionally, the Fiscal Officer and Board of Trustees should review the bank to book reconciliation and monthly financial reports of financial activity of the Township including budgeted versus actual receipts and expenditures. Evidence of these reviews should be documented.

The Township did perform bank to book reconciliations throughout 2014 and 2013; however, the December 31, 2014 reconciliations did not agree with the Uniform Accounting Network (UAN) system. As of December 31, 2014 the Township had an unreconciled difference of \$583. The Township was unable to provide sufficient appropriate audit evidence to support which funds to charge this overstatement of its combined cash fund balance as of December 31, 2014.

As a result, inaccurate financial reports are provided to the Township Board of Trustees hindering management decisions, which could lead to errors or irregularities occurring which could go undetected by management.

We recommend the Township Fiscal Officer reconcile all bank accounts to the books on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Township's ledgers following the completion of the reconciliation. As an additional monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by the Board of Trustees and evidence of these reviews and approvals be documented.

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2014 AND 2013  
(Continued)**

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

**FINDING NUMBER 2014-002**

**Permanent Appropriations – Material Noncompliance**

**Ohio Rev. Code Section 5705.38(A)** requires of a township that on or about the first day of each fiscal year, an appropriation measure be passed. The Township may pass a temporary appropriation measure to meet their ordinary expenses until April 1st, at which time a permanent appropriation measure must be passed.

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Township did not adopt a permanent appropriation measure for fiscal year 2014. As a result, all expenditures reported in the 2014, exceeded the authorized appropriation measure. Additionally, 2013 permanent appropriations were approved on May 8, 2013, after the April 1st deadline.

Failure to adopt a permanent appropriation measure by April 1st results in noncompliance with budgetary law and could result in budgetary expenditure irregularities.

We recommend that the Township Trustees adopt a permanent appropriation measure by April 1<sup>st</sup> each year. The Township should consult its legal counsel and review the Auditor of State's, Ohio Compliance Supplement, and develop a budgetary schedule and time line to assure that all annual budgetary filings and compliance requirements are met.

**Officials' Response**

The Township did not respond to the findings reported above.

**SCIOTO TOWNSHIP  
DELAWARE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-01	Material Weakness - Financial Reporting	No	Partially Corrected. Reissued in Management Letter.
2012-02	Noncompliance / Material Weakness – Allocation of Trustee Compensation	No	Partially Corrected. Reissued in Management Letter.
2012-03	Noncompliance – Certification of Funds	No	Partially Corrected. Reissued in Management Letter.
2012-04	Noncompliance / Material Weakness – Revenue Posting	Yes	

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# Dave Yost • Auditor of State

SCIOTO TOWNSHIP

DELAWARE 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 30, 2016