



Dave Yost • Auditor of State



SCIPIO TOWNSHIP  
MEIGS COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Scipio Township  
Meigs County  
35198 State Route 143  
Pomeroy, Ohio 45769

To the Board of Trustees:

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

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Scipio Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2015 and 2014, 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 Scipio Township, Meigs County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 11 to the financial statements, the Township has suffered recurring losses. Note 11 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 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

December 14, 2016

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$16,520	\$83,486	\$100,006
Intergovernmental	35,037	159,692	194,729
Earnings on Investments	235	470	705
Miscellaneous	1,059	1,116	2,175
<i>Total Cash Receipts</i>	<u>52,851</u>	<u>244,764</u>	<u>297,615</u>
<b>Cash Disbursements</b>			
Current:			
General Government	23,121	0	23,121
Public Safety	0	75,340	75,340
Public Works	0	192,274	192,274
Health	0	11,274	11,274
Capital Outlay	0	13,200	13,200
Debt Service:			
Principal Retirement	0	4,349	4,349
Interest and Fiscal Charges	0	267	267
<i>Total Cash Disbursements</i>	<u>23,121</u>	<u>296,704</u>	<u>319,825</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>29,730</u>	<u>(51,940)</u>	<u>(22,210)</u>
<b>Other Financing Receipts</b>			
Other Debt Proceeds	0	13,200	13,200
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>13,200</u>	<u>13,200</u>
<i>Net Change in Fund Cash Balances</i>	29,730	(38,740)	(9,010)
<i>Fund Cash Balances, January 1</i>	<u>(40,675)</u>	<u>201,667</u>	<u>160,992</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	145,748	145,748
Committed	0	17,179	17,179
Unassigned	<u>(10,945)</u>	<u>0</u>	<u>(10,945)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$10,945)</u></u>	<u><u>\$162,927</u></u>	<u><u>\$151,982</u></u>

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

**SCIPIO TOWNSHIP  
MEIGS 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	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,005	\$74,408	\$89,413
Intergovernmental	20,261	99,803	120,064
Earnings on Investments	217	396	613
Miscellaneous	4,468	16,853	21,321
<i>Total Cash Receipts</i>	<u>39,951</u>	<u>191,460</u>	<u>231,411</u>
<b>Cash Disbursements</b>			
Current:			
General Government	61,543	0	61,543
Public Safety	0	36,552	36,552
Public Works	0	116,480	116,480
Health	0	9,549	9,549
<i>Total Cash Disbursements</i>	<u>61,543</u>	<u>162,581</u>	<u>224,124</u>
<i>Net Change in Fund Cash Balances</i>	(21,592)	28,879	7,287
<i>Fund Cash Balances, January 1</i>	<u>(19,083)</u>	<u>172,788</u>	<u>153,705</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	188,943	188,943
Committed	0	12,724	12,724
Unassigned	(40,675)	0	(40,675)
<i>Fund Cash Balances, December 31</i>	<u>(\$40,675)</u>	<u>\$201,667</u>	<u>\$160,992</u>

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



**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**Note 1 - Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Scipio Township, Meigs 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 and fire protection services. The Township contracts with the Scipio Township Volunteer Fire Department to provide fire protection services.

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. OTARMA is a risk-sharing pool available to Ohio townships for insurance coverage. Note 9 to the financial statements provides additional information for this entity. 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 Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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 Funds:

***Gasoline Tax Fund*** This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Fire Levy Fund*** This fund receives property tax money for fire protection services for the Township.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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).

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each 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. Appropriations lapse at year-end.

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

**Encumbrances** The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2015 and 2014 budgetary activity appears in Note 4.

***Deposits***

The Township pools all available funds of the Township in an interest-bearing checking account and certificates of deposit. The Township values certificates of deposit at cost.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Fund Balance***

Fund balance is divided into three 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:

***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.

***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.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Balance (Continued)***

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.

**Note 3 - Compliance**

Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the Road and Bridge Fund by \$18,506 and in the Fire Levy Fund by \$37,083 at December 31, 2015. Budgetary expenditures exceeded appropriation authority in the General Fund by \$10,443 and in the Road and Bridge Fund by \$12,837 at December 31, 2014.

Contrary to Ohio Rev. Code § 5705.39, for the year ended December 31, 2015, appropriations exceeded estimated resources in the General Fund by \$24,578.

Contrary to Ohio Rev. Code § 5705.10(I), at December 31, 2014, the General Fund had a cash deficit balance of \$40,675. At December 31, 2015, the General Fund had a cash deficit balance of \$10,945.

**Note 4 - Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,747	\$52,851	\$26,104
Special Revenue	234,669	257,964	23,295
Total	\$261,416	\$310,815	\$49,399

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$24,064	\$23,121	\$943
Special Revenue	360,278	296,704	63,574
Total	\$384,342	\$319,825	\$64,517

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,725	\$39,951	\$9,226
Special Revenue	174,318	191,460	17,142
Total	\$205,043	\$231,411	\$26,368

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 4 - Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$51,100	\$61,543	(\$10,443)
Special Revenue	301,859	162,581	139,278
Total	\$352,959	\$224,124	\$128,835

**Note 5 - Deposits**

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:

	2015	2014
Demand deposits	\$107,538	\$117,053
Certificates of deposit	44,444	43,939
Total deposits	\$151,982	\$160,992

**Deposits** Deposits are insured by the Federal Depository Insurance Corporation.

**Note 6 - Property Taxes**

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.

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

**Note 7 - Defined Benefit Pension Plan**

**Ohio Public Employees Retirement System**

Most 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. 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, 2015.

**Note 8 - Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 9 - 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. 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, 2015, 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, 2015 and 2014:

	<b><u>2015</u></b>	<b><u>2014</u></b>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 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, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$9,933	\$10,392

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**Note 9 - Risk Management (Continued)**

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.

**Note 10 - Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
John Deere Rotary Cutter	\$8,963	3.75%

The Farmers Bank and Savings Company loan was issued in 2015, in the amount of \$13,200 for the purchase a John Deere Rotary Cutter. The Township makes monthly payments on the note of \$577. The note is collateralized by the dump truck purchased.

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

Year ending December 31:	John Deere Rotary Cutter
2016	\$6,923
2017	2,885
Total	\$9,808

**Note 11 – Deficit Fund Balance**

At December 31, 2015 and 2014, the Township had deficit fund cash balance of \$10,945 and \$40,675, respectively, in the General Fund. The Township's management has attempted to reduce the negative fund balances through limiting expenditures.



# 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

Scipio Township  
Meigs County  
35198 State Route 143  
Pomeroy, Ohio 45769

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 cash balances, receipts, and disbursements by fund type of Scipio Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit and wherein we noted the Township has suffered recurring losses.

### ***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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-002 through 2015-004, 2015-007 and 2015-008 to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2015-001 through 2015-007.

***Township's Response to Findings***

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.

***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

December 14, 2016



**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-001**

**Noncompliance**

Ohio Rev. Code Chapter 133 provides for various allowable methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities; Ohio Rev. Code § 133.10 allows anticipation securities in anticipation of current property tax revenues; Ohio Rev. Code § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Ohio Rev. Code § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question is issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Township's debt outstanding at December 31, 2015 consisted of an installment loan with the Farmers Bank and Savings Company secured by the equipment financed. This type of debt does not meet the criteria for any of the debt allowed in Ohio Revised Code Chapter 133. Failure to comply with the Revised Code could result in improper use of Township money.

The Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships as provided for by the Code.

**Official's Response:** We plan to resolve this issue.

**FINDING NUMBER 2015-002**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustee's compensation should be allocated. The Auditor of State issued Bulletin 2013-002 on June 7, 2013 explaining that the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law. House Bill 153 modified Ohio Rev. Code § 505.24 to require township trustees paid by the annual salary method, that compensate from funds other than the general fund, to certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Each township trustee that is compensated from funds other than the general fund must complete the certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee spent during that pay period providing services related to each fund to be charged.

During 2014, the Township paid a portion of Trustee salaries and related payroll withholdings from restricted funds (Motor Vehicle License Tax Fund and Gasoline Tax Fund) without Trustees certifying hours spent providing these services to the Township. Further, the Township provided no other documentation showing the hours spent providing services to the Township to support compensation from restricted funds.

As a result of the foregoing facts, mispostings were identified in the Township's General Fund in the amount of \$12,735 and in favor of the Motor Vehicle License Tax Fund in the amount of \$6,368 and the Gasoline Tax Fund in the amount of \$6,368. The Fiscal Officer has posted this adjustment to the Township records and, therefore, this adjustment is reflected in the accompanying financial statements.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002 (Continued)**

**Noncompliance and Material Weakness - Ohio Rev. Code § 505.24(C) (Continued)**

The Township should adopt formal administrative procedures for elected official compensation including requiring certification of time spent by Trustees on activities chargeable to restricted funds. Once these administrative procedures are established, the Fiscal Officer should charge the trustee salaries and related benefits to the applicable funds in accordance with the certifications. A sample certification is attached to Auditor of State Bulletin 2011-007.

**Official's Response:** We plan to resolve this issue in the future.

**FINDING NUMBER 2015-003**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.09(D) provides that each subdivision shall establish a special fund for each special levy.

The Township passed a road improvement levy in 2008. While the Trustees established a Road Improvement Levy Fund during 2015, the receipts and disbursements relating to the levy monies were posted to the Road and Bridge Fund instead of the Road Improvement Levy Fund for both 2014 and 2015. The adjustments, to which management agrees, to properly reflect the levy activity in the Road Improvement Levy Fund have been posted to the audited financial statements

Because the levy is restricted as to use, the Fiscal Officer should account for all levy-related activity in the Road Improvement Levy Fund.

**Official's Response:** We are currently using UAN and have established a Road Improvement Fund.

**FINDING NUMBER 2015-004**

**Noncompliance and Material Weakness**

Ohio Rev. Code § 5705.10(I) provides that money paid into a fund must be used only for the purpose for which such fund has been established.

The unaudited General Fund balance reported a deficit of \$8,856 at December 31, 2014. As a result of audit adjustments for improper expenditure allocations, the General Fund's deficit increased to \$40,675 at December 31, 2014. This larger deficit balance was not considered by the Trustees when they certified the 2015 estimated resources available for appropriation. As a result, contrary to Ohio Rev. Code § 5705.39, appropriations exceeded true estimated resources by \$24,578. At December 31, 2015, the General Fund deficit was \$10,945.

Negative fund balance indicates money from one fund was used to cover the expenses of another fund. Overspending was due to a lack of budgetary oversight by the Township Trustees.

The Township should take the necessary steps to eliminate the negative fund balance and only post disbursements into a fund for the purposes for which such fund has been established.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-004 (Continued)**

**Noncompliance and Material Weakness - Ohio Revised Code § 5705.10(I) (Continued)**

**Official's Response:** We plan to resolve this issue.

**FINDING NUMBER 2015-005**

**Noncompliance**

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

Budgetary expenditures exceeded the appropriation authority in the Road and Bridge Fund by \$18,506 and in the Fire Levy Fund by \$37,083 at December 31, 2015. Budgetary expenditures exceeded the appropriation authority in the General Fund by \$10,443 and in the Road and Bridge Fund by \$12,837 at December 31, 2014.

Failure to limit expenditures to appropriated amounts can result in overspending and negative fund balances.

The Trustees and Fiscal Officer should limit expenditures to approved appropriation amounts.

**Official's Response:** We plan to correct this issue in the future.

**FINDING NUMBER 2015-006**

**Noncompliance**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by approval vote. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-006 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(D)(1) (Continued)**

2. Blanket Certificate - Fiscal officers may prepare "blanket" certificates for a certain sum of money not exceeding an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account and cannot extend beyond the end of the fiscal year. The blanket certificate may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Township did not certify expenditures during 2015 or 2014 and there was no evidence the Township followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify the funds are or will be available prior to the Township incurring obligations. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires authorizing disbursements.

**Official's Response:** We are currently using UAN which will resolve this issue.

**FINDING NUMBER 2015-007**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Fiscal Officer maintained manual receipt journals and appropriation ledgers for 2015 and 2014; however, the receipt journal and appropriation ledger did not agree to the Cash Journal due to errors in footing and crossfooting of balances.

As a result of calculation errors and not recording all transactions to the ledgers, the following audit adjustments were proposed to the December 31, 2014 financial statements:

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-007 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)**

General Fund:

- Property and Other Local Tax receipts, Licenses, Permits and Fees receipts, and Miscellaneous receipts decreased by \$1,072, \$676, and \$3,007, respectively, and Intergovernmental receipts and Earnings on Investments receipts increased by \$4,736 and \$19, respectively.
- General Government expenditures increased \$12,736.

Special Revenue Funds:

- Property and Other Local Tax receipts decreased by \$27,121 in the Road and Bridge Fund and increased by \$30,206 in the Road Maintenance Levy Fund.
- Intergovernmental receipts decreased by \$1,363 in the Road and Bridge Fund and increased by \$1,530 in the Road Maintenance Levy Fund.
- Miscellaneous receipts decreased by \$3,252 in the Road and Bridge Fund.
- Public Works expenditures decreased by \$6,368 and \$6,368 in the Motor Vehicle License Tax and Gasoline Tax Funds, respectively.

As a result of calculation errors and not recording all transactions to the ledgers, the following audit adjustments were proposed to the December 31, 2015 financial statements:

General Fund:

- Property and Other Local Tax receipts and Intergovernmental receipts increased by \$350 and \$4,533, respectively, and Licenses, Permits and Fees receipts and Miscellaneous receipts decreased by \$639 and \$4,244, respectively.

Special Revenue Funds:

- Property and Other Local Tax receipts decreased by \$28,795 in the Road and Bridge Fund and increased by \$1,876 and \$31,893 in the Fire Levy and Road Maintenance Levy Funds, respectively.
- Intergovernmental receipts decreased by \$3,958 in the Road and Bridge Fund and increased by \$46,515 and \$804 in the Fire Levy and Road Maintenance Levy Funds, respectively.
- Miscellaneous receipts decreased by \$48,391 in the Fire Levy Fund.
- Public Works expenditures increased by \$33,634, \$106,571, and \$13,107 in the Motor Vehicle License Tax, Gasoline Tax, and Road and Bridge Funds, respectively.
- Health expenditures increased by \$2,624 in the Cemetery Fund.
- Public Safety expenditures increased by \$56,750 in the Fire Levy Fund.

In addition to the items above, the December 31, 2015 and 2014 fund balances were not properly classified according to Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010. As a result of incorrect postings identified during the audit:

The December 31, 2015 and 2014 fund balance of the Motor Vehicle License Tax, Gasoline Tax, Cemetery, Fire Levy, Community Development and Road Maintenance Levy Funds were incorrectly classified as unassigned rather than as restricted.

The December 31, 2015 and 2014 fund balance of the Road and Bridge Fund was incorrectly classified as unassigned rather than as committed.

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-007 (Continued)**

**Noncompliance and Material Weakness - Ohio Admin. Code § 117-2-02(A) (Continued)**

The following represents the cumulative effect of the adjustments listed above on the fund cash balances as of December 31, 2015:

Fund	Unadjusted 12/31/15 Fund Balance	Audit Adjustment	Adjusted 12/31/15 Fund Balance
General	\$29,730	(\$40,675)	(\$10,945)
Motor Vehicle License Tax	64,414	(27,226)	37,188
Gasoline Tax	138,239	(101,013)	37,226
Road and Bridge	28,409	(11,230)	17,179
Cemetery	11,773	(2,664)	9,109
Fire Levy	73,896	(56,442)	17,454
Community Development	0	43,722	43,722
Road Maintenance	0	1,049	1,049
	\$346,461	(\$194,479)	\$151,982

These misstatements were caused by a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers and are reflected in the accompanying financial statements.

The Fiscal Officer should refer to Appendix A of the Township Handbook and Auditor of State Bulletin 2011-004 for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

**Official's Response:** We plan to correct this issue in the future.

**FINDING NUMBER 2015-008**

**Material Weakness**

Management has a key role to play in ensuring the Township establishes and maintains effective internal controls. The small size of the Township's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions, including receipting, depositing, disbursing, and reconciling Township monies. It is therefore important that the Board of Trustees monitor financial activity closely. When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies;
- Plan for adequate segregation of duties or compensating controls;
- Perform analytical procedures to determine the reasonableness of financial data including review of reports comparing budgeted to actual information.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-008 (Continued)**

**Material Weakness – Segregation of Duties and Board Monitoring (Continued)**

During 2015 and 2014, the Board of Trustees received and monthly financial reports, which included total month-to-date receipts, expenditures and fund balances for each fund. However, the amounts were not always consistent with amounts recorded in the manual ledger due to mathematical errors. The inaccuracy and inconsistency of financial information provided to the Board of Trustees for monthly review hampers its ability to effectively monitor the financial activity and position of the Township. Further, the Board of Trustees did not review and/or approve financial reports showing comparisons of budget to actual information and no alternative process exists to identify unusual fluctuations between accounts or between fiscal years.

The Fiscal Officer should ensure the reports presented to the Board of Trustees for review are true and accurate. Also, the Trustees should receive budget to actual comparisons to facilitate monitoring. The review of this information should be noted in the Board of Trustees meeting minutes. Supervisory reviews should be evidenced by the initials of the reviewer and the date of the review.

**Official's Response:** We plan to correct this issue in the future.

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

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>
2013-001	A material weakness/noncompliance with Ohio Rev. Code §505.24(C) regarding allocation of trustees' salaries.	No	Not corrected. Repeated as Finding Number 2015-002.
2013-002	A material weakness/noncompliance with Ohio Rev. Code § 5705.09(D) for not establishing a Road Improvement Fund.	No	Not corrected. Repeated as part of Finding Number 2015-003.
2013-003	Noncompliance with Ohio Rev. Code § 5705.41(B) for expenditures exceeding appropriations.	No	Not corrected. Repeated as Finding Number 2015-005.
2013-004	Noncompliance with Ohio Rev. Code § 5705.41(D) for not encumbering purchase obligations.	No	Not corrected. Repeated as Finding Number 2015-006.
2013-005	Material Weakness and Noncompliance with Ohio Admin. Code § 117-2-02(A) for material mispostings requiring financial statement adjustment.	No	Not corrected. Repeated as Finding Number 2015-007.
2013-006	Material Weakness for lack of segregated duties and board monitoring.	No	Not corrected. Repeated as Finding Number 2015-008.





# Dave Yost • Auditor of State

**SCIPIO TOWNSHIP**

**MEIGS 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  
DECEMBER 29, 2016**