



Dave Yost • Auditor of State



**SCIPIO TOWNSHIP  
MEIGS COUNTY  
DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016.

### ***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 such 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 2 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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of Scipio Township, Meigs County, Ohio as of December 31, 2017 and 2016, 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 2016 financial statements, The Township management identified a previously unidentified reconciling error. The December 31, 2015 fund cash balance of the General Fund has been restated to reduce the fund by \$2,749. 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 November 29, 2018, 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

November 29, 2018

**Scipio Township***Meigs County, Ohio**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,362	\$81,115	\$96,477
Intergovernmental	29,172	170,599	199,771
Earnings on Investments	783	436	1,219
Miscellaneous	0	67,002	67,002
<i>Total Cash Receipts</i>	<u>45,317</u>	<u>319,152</u>	<u>364,469</u>
<b>Cash Disbursements</b>			
Current:			
General Government	21,087	8,570	29,657
Public Safety	0	100,824	100,824
Public Works	0	228,898	228,898
Health	0	5,773	5,773
Debt Service:			
Principal Retirement	0	2,270	2,270
Interest and Fiscal Charges	0	21	21
<i>Total Cash Disbursements</i>	<u>21,087</u>	<u>346,356</u>	<u>367,443</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>24,230</u>	<u>(27,204)</u>	<u>(2,974)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	<u>704</u>	<u>0</u>	<u>704</u>
<i>Total Other Financing Receipts</i>	<u>704</u>	<u>0</u>	<u>704</u>
<i>Net Change in Fund Cash Balances</i>	24,934	(27,204)	(2,270)
<i>Fund Cash Balances, January 1</i>	<u>11,044</u>	<u>137,873</u>	<u>148,917</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	105,585	105,585
Committed	0	5,084	5,084
Assigned	<u>35,978</u>	<u>0</u>	<u>35,978</u>
<i>Fund Cash Balances, December 31</i>	<u>\$35,978</u>	<u>\$110,669</u>	<u>\$146,647</u>

*See accompanying notes to the basic financial statements.*

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**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 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 (regulatory cash basis) for all governmental fund types.

***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*** The gasoline tax 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.

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***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).

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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2017 budgetary activity appears in Note 4.

***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.

***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 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:

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

***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.

***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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax and Fire Fund by \$34,483 and \$41,439, respectively, for the year ended December 31, 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,835	\$46,021	\$186
Special Revenue	287,154	319,152	31,998
Total	\$332,989	\$365,173	\$32,184

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$59,473	\$21,087	\$38,386
Special Revenue	287,627	346,356	(58,729)
Total	\$347,100	\$367,443	(\$20,343)

**Note 5 – Deposits**

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

	2017
Demand deposits	\$101,078
Certificates of deposit	45,569
Total Deposits	\$146,647

***Deposits***

Deposits are insured by the Federal Deposit 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.

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.

**Note 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.

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 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, 2017, 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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$4,900.

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.

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 7 – Risk Management (Continued)**

<b><u>2017 Contributions to OTARMA</u></b>
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\$11,057
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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 8 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Scipio Township***Meigs County, Ohio**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,123	\$71,007	\$86,130
Charges for Services	0	14,700	14,700
Intergovernmental	29,146	110,512	139,658
Earnings on Investments	174	525	699
Miscellaneous	6,898	38,210	45,108
<i>Total Cash Receipts</i>	<u>51,341</u>	<u>234,954</u>	<u>286,295</u>
<b>Cash Disbursements</b>			
Current:			
General Government	26,613	9,991	36,604
Public Safety	0	35,536	35,536
Public Works	0	208,012	208,012
Health		349	349
Debt Service:			
Principal Retirement	0	6,694	6,694
Interest and Fiscal Charges	0	229	229
<i>Total Cash Disbursements</i>	<u>26,613</u>	<u>260,811</u>	<u>287,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>24,728</u>	<u>(25,857)</u>	<u>(1,129)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Other Financing Sources	0	2,247	2,247
Other Financing Uses	0	(1,444)	(1,444)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>803</u>	<u>803</u>
<i>Net Change in Fund Cash Balances</i>	24,728	(25,054)	(326)
<i>Fund Cash Balances, January 1, restated</i>	<u>(13,684)</u>	<u>162,927</u>	<u>149,243</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	126,697	126,697
Committed	0	11,176	11,176
Assigned	11,044	0	11,044
<i>Fund Cash Balances, December 31</i>	<u>\$11,044</u>	<u>\$137,873</u>	<u>\$148,917</u>

*See accompanying notes to the basic financial statements.*

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**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

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

***Public Entity Risk Pool***

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 7 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 (regulatory cash basis) for all governmental fund types.

***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:

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***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*** The gasoline tax 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.

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***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).

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. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2016 budgetary activity appears in Note 4.

***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.

***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 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:

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

***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.

***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.

**Note 3 - Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax and Road Maintenance Funds by \$22,914 and \$1,164, respectively, for the year ended December 31, 2016.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,961	\$51,341	\$13,380
Special Revenue	233,490	237,201	3,711
Total	\$271,452	\$288,542	\$17,090

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,108	\$26,613	\$12,495
Special Revenue	311,350	262,255	49,095
Total	\$350,458	\$288,868	\$61,590

**Note 5 – Deposits**

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

	2016
Demand deposits	\$103,915
Certificates of deposit	45,003
Total Deposits	\$148,918

***Deposits***

Deposits are insured by the Federal Deposit 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.

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.

**Note 7 - Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.)

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management (Continued)**

(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, 2016, 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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,745.35.

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>2016 Contributions to OTARMA</u></b>
\$10,550

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.

**Scipio Township**  
*Meigs County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 7 - Risk Management (Continued)**

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 8 - Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

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, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
John Deere Rotary Cutter	\$2,270	3.75%

The Township obtained a loan through Farmers Bank to finance the purchase of a new John Deere Rotary Cutter for Township Road Maintenance. The purchased equipment collateralized the loan.

***Amortization***

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

	<b>Rotary Cutter</b>
Year ending December 31:	<b>Loan</b>
2017	\$2,290

**Note 11 – Restatement of Beginning Balances**

The Township's management identified a previously unidentified reconciling error. The December 31, 2015 fund cash balance of the General Fund has been restated to reduce balance of (\$10,935) by \$2,749. As a result, the restated January 1, 2016 General Fund balance is (\$13,684)



# 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 the Scipio Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 29, 2018 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 the Township restated the January 1, 2015 fund balance in the General Fund

### ***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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider findings 2017-004 through 2017-007 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2017-008 described in the accompanying Schedule of Findings 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2017-001 through 2017-004.

***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 report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

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

November 29, 2018



**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Noncompliance**

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22 states that a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code § 133.15 states that a subdivision is authorized to issue 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.

Ohio Rev. Code § 133.18 states that the taxing authority of a subdivision may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2017 and 2016, the Township made principal payments on an outstanding promissory note in the amount of \$2,270 and \$6,694, respectively. The promissory note was used by the Township to purchase a John Deere rotary cutter.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

**FINDING NUMBER 2017-002**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2017 expenditures exceeded appropriations, as follows:

Fund	Appropriations	Expenditures	Variance
Gasoline Tax	\$121,719	\$156,202	\$(34,483)
Fire	59,385	100,824	(41,439)

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002 (Continued)**

**Noncompliance (Continued)**

At December 31, 2016 expenditures exceeded appropriations, as follows:

Fund	Appropriations	Expenditures	Variance
Gasoline Tax	\$108,224	\$131,138	\$(22,914)
Road Maintenance	27,198	28,362	(1,164)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

**FINDING NUMBER 2017-003**

**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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-003 (Continued)**

**Noncompliance (Continued)**

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.

Forty-four percent (44%) of the obligations tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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 that funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used, and approved by resolution of the Township Trustees, where applicable.

The Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) required to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of § 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**FINDING NUMBER 2017-004**

**Noncompliance and Material Weakness**

Ohio Admin. Code § 117-2-02 provides that all local public offices shall 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 related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code. All local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include the following:

- (1) Cash journal, which typically contains the following information: The amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
- (2) Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-004 (Continued)**

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

(3) Appropriation ledger, which may assemble and classify disbursements or expenditure/expenses into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, fund, date, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, and any other information required may be entered in the appropriate columns.

The Fiscal Officer did not maintain an appropriation ledger or a receipts ledger during 2016 prior to conversion to UAN in September 2016. However, these were created later in order to determine the correct amount of receipts and disbursements to post to UAN for the months of January through August 2016. These two records aid in monitoring financial information including budget versus actual receipts and expenditures but only if maintained throughout the period. Failure to properly utilize appropriation ledgers and receipt ledgers resulted in the township incorrectly posting receipt transactions to UAN in the amount of \$3,644 and disbursement transactions by \$1,557. This resulted in September through November not reconciling in UAN without using an Other Adjusting Factor.

The Fiscal Officer should maintain an appropriation ledger and a receipts ledger to aid in monitoring financial information and to help ensure budgetary compliance as well as reconcile the bank accounts in a timely manner.

**FINDING NUMBER 2017-005**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were noted in the financial statements that required audit adjustment or reclassification:

For the year ended December 31, 2016:

- General Fund beginning balance was overstated \$2,749
- General Fund intergovernmental receipts of \$20,831 were incorrectly posted as taxes;
- General Fund miscellaneous receipts of \$5,096 were incorrectly posted as taxes;
- General Fund miscellaneous receipts of \$1,802 were incorrectly posted as other financing sources;
- Gasoline Tax Fund miscellaneous receipts of \$38,210 were incorrectly posted as intergovernmental;
- Gasoline Tax Fund debt principal disbursements of \$6,694 were incorrectly posted as public works;
- Gasoline Tax Fund debt interest disbursements of \$229 were incorrectly posted as public works;

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005 (Continued)**

**Material Weakness (Continued)**

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as committed. The Township reported the Gasoline Tax Fund ending fund balance as committed instead of restricted, in the amount of \$23,706;
- Fire Fund charges for service receipts of \$14,700 were incorrectly posted as taxes.

For the Year ended December 31, 2017:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod.1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township incorrectly reported the unassigned portion of the General Fund's cash fund balance as assigned, in the amount of \$38,572;
- General Fund intergovernmental receipts of \$2,495 were incorrectly posted as taxes;
- General Fund beginning balance was overstated \$55;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as committed. The Township reported the Motor Vehicle License Tax Fund ending fund balance as committed instead of restricted, in the amount of \$8,192;
- Gasoline Tax Fund miscellaneous receipts of \$59,385 were incorrectly posted as other financing sources;
- Gasoline Tax Fund intergovernmental receipts of \$11,302 were incorrectly posted as other financing sources;
- Gasoline Tax Fund debt principal and interest disbursements of \$2,270 and \$21, respectively, were incorrectly posted as public works;
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as committed. The Township reported the Gasoline Tax Fund fund balance as committed instead of restricted, in the amount of \$34,441;
- Road and Bridge Fund intergovernmental receipts of \$1,747 were incorrectly posted as taxes;
- Road Maintenance Levy Fund intergovernmental receipts of \$1,426 were incorrectly posted as taxes;
- Fire Fund intergovernmental receipts of \$1,426 were incorrectly posted as taxes;
- Fire Fund intergovernmental receipts of \$4,080 were incorrectly posted to other financing sources;
- Fire Fund miscellaneous receipts of \$7,132 were incorrectly posted to other financing sources;
- Fire Fund public works disbursements of \$27,200 were not posted;
- Fire Fund intergovernmental receipts of \$27,200 were not posted;

The Fiscal Officer made errors in posting of revenues and disbursements that resulted in errors noted above. The audited financial statements and the Township's UAN accounting system have been adjusted for the errors noted above.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005 (Continued)**

**Material Weakness (Continued)**

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification of receipts and disbursements and Auditor of State Bulletin 2011-004 for proper reporting of fund balances and take additional care in posting transactions to the Township's UAN system in order to ensure the Township's financial statements reflect the appropriate sources of the Township's receipts and expenditures. We further recommend the Board of Trustees adopt policies and procedures including a final review of the financial statements and notes by the Fiscal Officer and Board of Trustees.

**FINDING NUMBER 2017-006**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Township's UAN accounting system as follows:

Fund	Approved	UAN System	Variance
General	\$37,961	\$39,117	\$(1,155)
Motor Vehicle License Tax	14,732	43,294	(28,562)
Gasoline Tax	125,780	146,434	(20,654)
Road and Bridge	10,320	19,867	(9,547)
Cemetery	8,376	16,797	(8,421)
Fire	42,621	51,527	(8,906)
Development	270	44,738	(44,468)

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-006 (Continued)**

**Material Weakness (Continued)**

At December 31, 2017, approved appropriations did not agree to the Township's ledgers as follows:

Fund	UAN System	Approved	Variance
General	\$59,418	\$59,473	\$(55)
Gasoline Tax	191,316	121,719	69,597
Fire	79,796	59,385	20,411

At December 31, 2016, approved appropriations did not agree to the Township's ledgers as follows:

Fund	UAN System	Approved	Variance
Gasoline	\$146,434	\$108,224	\$38,210
Road Maintenance	31,391	27,198	4,193
Development	0	44,738	(44,738)

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by the Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the notes to the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

**FINDING NUMBER 2017-007**

**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.

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-007 (Continued)**

**Material Weakness (Continued)**

The Board of Trustees did not review and/or approve financial reports showing comparisons of budget to actual information and no alternative process existed to identify unusual fluctuations between accounts or between fiscal years. Furthermore, the Fiscal Officer did not complete reconciliations from January to August 2016 electing to solely provide the bank statement to the Board of Trustees. In September 2016 the Township began using UAN and financial information was more accurately reported to the Board but a comparison of budget to actual information is still not presented.

Trustees should receive bank reconciliations and budget to actual comparisons to facilitate monitoring of the Township accounts. 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.

**FINDING NUMBER 2017-008**

**Significant Deficiency**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed each month of 2016. Failure to reconcile monthly increases the possibility that the Township will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.



**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Noncompliance with Ohio Rev. Code § 133.22 – issuance of unallowable debt	Not Corrected	Debt Still Outstanding
2015-002	Noncompliance/Material Weakness with Ohio Rev. Code § 505.24(C) – failure of trustees to complete certifications	Corrected	N/A
2015-003	Noncompliance/Material Weakness with Ohio Rev. Code § 5705.09(D) – failure to properly post special levy monies	Corrected	N/A
2015-004	Noncompliance/Material Weakness with Ohio Rev. Code § 5705.10(I) – negative fund balances	Corrected	N/A
2015-005	Noncompliance with Ohio Rev. Code § 5705.41(B) – expenditures exceeded appropriations	Not Corrected	Township is currently using UAN. This will correct this issue.
2015-006	Noncompliance with Ohio Rev. Code § 5705.41(D)(1) – not certifying expenditures	Not Corrected	Township is currently using UAN. This will correct this issue.
2015-007	Noncompliance/Material Weakness with Ohio Admin. Code § 117-2-02(A) – material adjustments to the financial statements	Not Corrected	Adjustments made in 2018
2015-008	Material Weakness for mathematical errors in the Cashbook	Not Corrected	Adjustments made in 2018

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# 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 13, 2018**