



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  
33433 Cotterill Road  
Pomeroy, Ohio 45769

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Scipio Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012.

### ***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 opinion.

***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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, 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, Ohio, as of December 31, 2013 and 2012, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2014, 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 8, 2014

**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, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 13,019	\$ 67,036	\$ 80,055
Intergovernmental	26,616	116,245	142,861
Earnings on Investments	201	191	392
Miscellaneous	2,302	8,451	10,753
<i>Total Cash Receipts</i>	<u>42,138</u>	<u>191,923</u>	<u>234,061</u>
<b>Cash Disbursements</b>			
Current:			
General Government	57,919		57,919
Public Safety		35,028	35,028
Public Works		120,446	120,446
Health		5,463	5,463
<i>Total Cash Disbursements</i>	<u>57,919</u>	<u>160,937</u>	<u>218,856</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(15,781)</u>	<u>30,986</u>	<u>15,205</u>
<i>Fund Cash Balances, January 1</i>	<u>(3,302)</u>	<u>141,802</u>	<u>138,500</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		168,952	168,952
Committed		3,836	3,836
Unassigned (Deficit)	<u>(19,083)</u>		<u>(19,083)</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ (19,083)</u>	<u>\$ 172,788</u>	<u>\$ 153,705</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, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 13,646	\$ 65,881	\$ 79,527
Intergovernmental	25,593	111,299	136,892
Earnings on Investments	188	288	476
Miscellaneous	4,931	3,733	8,664
	44,358	181,201	225,559
 <b>Cash Disbursements</b>			
Current:			
General Government	59,910		59,910
Public Safety		34,207	34,207
Public Works		102,046	102,046
Health		4,804	4,804
Debt Service:			
Principal		4,878	4,878
Interest		211	211
	59,910	146,146	206,056
 <i>Total Cash Disbursements</i>	<i>59,910</i>	<i>146,146</i>	<i>206,056</i>
 <i>Excess of Receipts Over (Under) Disbursements</i>	<i>(15,552)</i>	<i>35,055</i>	<i>19,503</i>
 <i>Fund Cash Balances, January 1</i>	<i>12,250</i>	<i>106,747</i>	<i>118,997</i>
 <b>Fund Cash Balances, December 31</b>			
Restricted		137,324	137,324
Committed		4,478	4,478
Unassigned (Deficit)	(3,302)		(3,302)
	(3,302)		(3,302)
 <i>Fund Cash Balances, December 31</i>	<i>\$ (3,302)</i>	<i>\$ 141,802</i>	<i>\$ 138,500</i>

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



**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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. The Township contracts with Bedford Township to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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.

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

**B. Accounting Basis**

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

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

**C. Deposits**

The Fiscal Officer deposits all available funds of the Township in an interest bearing checking account. The Township also has a certificate of deposit. 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.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

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

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

Fire Levy Fund - This fund receives tax levy money for maintaining fire department.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance**

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

**1. Nonspendable**

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

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

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

**5. Unassigned**

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

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

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**G. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	\$109,766	\$94,638
Certificates of deposit	43,939	43,862
Total deposits	\$153,705	\$138,500

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending 2013 follows:

**2013 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,335	\$42,138	\$17,803
Special Revenue	171,303	191,923	20,620
Total	\$195,638	\$234,061	\$38,423

**2013 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,022	\$57,919	\$4,103
Special Revenue	283,993	160,937	123,056
Total	\$346,015	\$218,856	\$127,159

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,960	\$44,358	\$14,398
Special Revenue	169,330	181,201	11,871
Total	\$199,290	\$225,559	\$26,269

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$61,380	\$59,910	\$1,470
Special Revenue	274,300	146,146	128,154
Total	\$335,680	\$206,056	\$129,624

Contrary to Ohio Law, the Township General Fund had a cash deficit balance of \$3,302 at December 31, 2012 and a cash deficit balance of \$19,083 at December 31, 2013.

**4. Property Tax**

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

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

**5. Retirement System**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**6. 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.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Risk Management (Continued)**

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, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, 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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$9,358	\$0

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.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Contingent Liabilities**

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

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# Dave Yost • Auditor of State

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

Scipio Township  
Meigs County  
33433 Cotterill Road  
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 Scipio Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

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

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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. 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. We consider findings 2013-001, 2013-002, 2013-005 and 2013-006 described in the accompanying Schedule of Findings 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 2013-001 through 2013-005.

***Entity'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 8, 2014

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**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 2013 and 2012, 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, the Township's General Fund expenditures were understated by \$37,648 and the expenditures of the Motor Vehicle License Tax Fund and the Gasoline Tax Fund were overstated by \$22,499 and \$15,149, respectively. The related adjustments, with which the Township management agrees, are reflected in the audited financial statements.

We recommend the Township 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 will correct this in the future.

**FINDING NUMBER 2013-002**

**Noncompliance and Material Weakness**

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

The Township passed a road improvement levy in 2008; however, the Board of Trustees failed to establish a Road Improvement Levy Fund to account for the proceeds of this levy. This resulted in audit adjustments.

We recommend the Trustees establish all required funds including a Road Improvement Levy Fund to account for the proceeds of its Road Improvement Levy.

**Official's Response:** We will correct this in the future.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-003**

**Noncompliance**

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

Total expenditures exceeded total appropriations in the Road Maintenance Fund by \$545 at December 31, 2013 and by \$919 at December 31, 2012.

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

We recommend the Township limit expenditures to approved appropriation amounts.

**Official's Response:** This will be corrected in the future.

**FINDING NUMBER 2013-004**

**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 Sections 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.

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.

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-004 (Continued)**

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

The Township did not certify expenditures during 2013 or 2012; 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.

We recommend the Fiscal Officer 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 will correct this going forward.

**FINDING NUMBER 2013-005**

**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 receipt journals and appropriation ledgers for 2013 and 2012; 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, 2012 financial statements:

**General Fund:**

- Property and Other Local Tax receipts, Intergovernmental receipts and Miscellaneous receipts increased by \$450, \$3,340 and \$9,864, respectively.
- General Government expenditures increased \$12,414.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-005 (Continued)**

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

Special Revenue Funds:

- Property and Other Local Tax receipts increased by \$5,051 in the Road and Bridge Fund and decreased by \$72 and \$3,446 in the Cemetery and Fire District Funds, respectively.
- Intergovernmental receipts increased by \$216 in the Fire District Fund.
- Miscellaneous Receipts increased by \$3,733 in the Fire District Fund.
- Public Safety expenditures decreased by \$529 in the Fire District Fund.
- Public Works expenditures increased by \$8,150, \$22,309 and \$34,066 in the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Tax Funds, respectively.
- Health expenditures increased by \$302 in the Cemetery Fund.

As a result of calculation errors and not recording all transactions to the ledgers, the following audit adjustments were proposed to the December 31, 2013 financial statements:

General Fund:

- Property and Other Local Tax receipts decreased by \$2,210 and Intergovernmental receipts and Miscellaneous receipts increased by \$4,376 and \$8,868, respectively.
- General Government expenditures increased \$9,361.

Special Revenue Funds:

- Property and Other Local Tax receipts decreased by \$1,136 and \$63 in the Road and Bridge Fund and the Cemetery, respectively, and increase by \$2,232 in the Fire District Fund.
- Intergovernmental receipts increased by \$1,100, \$11,879 and \$876 in the Motor Vehicle License Tax, Gasoline Tax and Cemetery Funds.
- Miscellaneous Receipts increased by \$1,000 in the Fire District Fund.
- Public Safety expenditures increased by \$33,865 in the Fire District Fund.
- Public Works expenditures increased by \$17,954, \$60,559 and \$12,927 in the Motor Vehicle License Tax, Gasoline Tax and Road and Bridge Tax Funds, respectively.
- Health expenditures increased by \$552 in the Cemetery Fund.

In addition to items above, the following adjustments were proposed as a result of incorrect postings identified during the audit:

For the period ending December 31, 2013, the following items were noted:

- For the General Fund, taxes were posted as net, rather than as gross with corresponding memo expenditures, to report the deductions. Additionally, a homestead exemption receipt was posted as taxes and an estate tax receipt was posted as miscellaneous when both should have been posted as intergovernmental. As a result, taxes increased by \$518, intergovernmental receipts increased by \$6,659, miscellaneous receipts decreased by \$6,566 and general government expenditures increased by \$611.
- For the Motor Vehicle License Tax Fund, the fund balance was reported as unassigned rather than as restricted.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-005 (Continued)**

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

- For the Road and Bridge Fund, taxes were posted as net, rather than at gross with corresponding memo expenditures to report the deductions, and a manufactured home tax settlement was posted as miscellaneous rather than taxes. Additionally, taxes and intergovernmental receipts belonging to the Road Improvement Fund were all posted to the Road and Bridge Fund. As a result, taxes decreased by \$22,537, intergovernmental receipts decreased by \$3,192, miscellaneous receipts decreased by \$1,543 and public works expenditures decreased by \$443. Additionally, the fund balance was reported as unassigned rather than as committed.
- For the Gasoline Tax Fund, intergovernmental receipts from the Meigs County Auditor were posted as miscellaneous rather than intergovernmental receipts. As a result, miscellaneous decreased by \$1,728 and intergovernmental receipts increased by \$1,728. Additionally, the fund balance was reported as unassigned rather than as restricted.
- For the Cemetery Fund, taxes were posted as net rather than at gross with a corresponding memo expenditures to report the deductions and homestead and rollback receipts were posted as taxes and miscellaneous rather than as intergovernmental. As a result, taxes increased \$386, intergovernmental increased \$38, miscellaneous receipts decreased by \$138 and health expenditures increased by \$286. Additionally, the fund balance was reported as unassigned rather than as restricted.
- For the Fire District Fund, taxes were posted as net rather than at gross with a corresponding memo expenditures to report the deductions and homestead and rollback receipts were posted as taxes and miscellaneous rather than as intergovernmental. As a result, taxes increased \$376, intergovernmental increased \$3,478, miscellaneous receipts decreased by \$2,208 and health expenditures increased by \$1,164. Public Safety expenditures of \$33,864 were improperly posted as public works and the fund balance was reported as unassigned rather than as restricted.
- For the Community Development Fund, the fund balance was reported as unassigned rather than as restricted.
- For the Road Improvement Fund, taxes and intergovernmental receipts and the corresponding deductions were incorrectly posted to the Road and Bridge Fund. As a result, taxes increased \$26,667, intergovernmental receipts increased by \$2,213 and public works expenditures increased by \$1,164. The ending fund balance of \$1,049 is to be reported as restricted.

For the period ending December 31, 2012, the following items were noted:

- For the General Fund, taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions and a \$429 receipt belonging to the Motor Vehicle License Tax Fund was improperly posted to the General Fund intergovernmental receipts. Additionally, a homestead exemption receipt was posted as taxes and an estate tax receipt was posted as miscellaneous when both should have been posted as intergovernmental. As a result, taxes increased by \$1,185, intergovernmental receipts increased by \$4,578 miscellaneous receipts decreased by \$4,932 and general government expenditures increased by \$1,259.
- For the Motor Vehicle License Tax Fund, intergovernmental receipts increased by \$429 due to a receipt misposted to the General Fund. Additionally, the fund balance was reported as unassigned rather than as restricted.

**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**FINDING NUMBER 2013-005 (Continued)**

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

- For the Road and Bridge Fund, taxes were posted as net, rather than as gross with corresponding memo expenditures to report the deductions, and a manufactured home tax settlement was posted as miscellaneous rather than taxes. Additionally, taxes and intergovernmental receipts belonging to the Road Improvement Fund were all posted to the Road and Bridge Fund. As a result, taxes decreased by \$28,368, intergovernmental receipts increased by \$758 and public works expenditures increased by \$459. Additionally, the fund balance was reported as unassigned rather than as committed.
- For the Gasoline Tax Fund, debt principal and interest payments of \$4,878 and \$211, respectively, were improperly posted as public works expenditures. Additionally, the fund balance was reported as unassigned rather than as restricted.
- For the Cemetery Fund, taxes were posted as net rather than as gross with corresponding memo expenditures to report the deductions and homestead and rollback receipts were posted as taxes rather than as intergovernmental and a tax settlement was posted as intergovernmental. As a result, taxes increased \$431, intergovernmental decreased \$129 and health expenditures increased by \$302. Additionally, the fund balance was reported as unassigned rather than as restricted.
- For the Fire District Fund, taxes were posted as net rather than as gross with a corresponding memo expenditures to report the deductions and homestead and rollback receipts were posted as taxes and miscellaneous rather than as intergovernmental. As a result, taxes increased \$1,108, intergovernmental increased \$40 and health expenditures increased by \$1,148. Additionally, the fund balance was reported as unassigned rather than as restricted.
- For the Community Development Fund, the fund balance was reported as unassigned rather than as restricted.
- For the Road Improvement Fund, taxes and intergovernmental receipts and the corresponding deductions were incorrectly posted to the Road and Bridge Fund. As a result, taxes increased \$25,300, intergovernmental receipts increased by \$3,978 and public works expenditures increased by \$1,210. The ending fund balance is to be reported as restricted.

The following represents the cumulative effect of the adjustments listed above on the fund cash balances as of December 31, 2013:

Fund	Unadjusted 12/31/2013 Balance	Adjustments	Adjusted 12/31/2013 Balance
General Fund	\$ 20,375	\$ (39,458)	\$ (19,083)
Motor Vehicle License Tax	21,880	22,028	43,908
Gasoline Tax	23,311	31,483	54,794
Road and Bridge	11,467	(7,631)	3,836
Cemetery	15,316	(1,774)	13,542
Fire District	11,627	309	11,936
Road Maintenance		1,049	1,049
Community Development		42,723	42,723

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.



**SCIPPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2013-005 (Continued)**

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

We recommend the Fiscal Officer refer to Appendix A of the Township Handbook 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 will work to correct this.

**FINDING NUMBER 2013-006**

**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.

During 2013 and 2012, the Board of Trustees received monthly Treasurer's 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.

We recommend the Fiscal Officer ensure the reports presented to the Board of Trustees for review are true and accurate. We further recommend the Trustees 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 will try to correct this to the best of our ability.

**SCIPIO TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

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>
2011-001	A noncompliance citation and material weakness of OAG Opinion No. 99-105 and Ohio Rev. Code § 507.09: An FFR repaid under audit for overcompensation of officials based on the budget.	Yes	N/A
2011-002	A noncompliance citation of Ohio Rev. Code § 733.28 because the underlying receipts and appropriation ledgers did not agree to the cash journal.	No	Not corrected. Repeated under the Ohio Admin. Code as Finding Number 2013-005.
2011-003	A material weakness for inaccurate posting of receipts and disbursements.	No	Not corrected. Repeated as Finding Number 2013-005.



# 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 23, 2014**