



OHIO AUDITOR OF STATE
KEITH FABER



**SCIOTO TOWNSHIP
JACKSON COUNTY
DECEMBER 21, 2019 AND 2018**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Scioto Township
Jackson County
921 Van Fossan Road
Jackson, Ohio 45640

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 Scioto Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, and the respective changes in financial position thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Findings 2019-002 and 2019-003 in the accompanying Schedule of Findings, the Fiscal Officer and Board of Trustees did not comply with requirements of Ohio Rev. Code §§ 505.24(C) and 507.09(C) of completing payroll certifications when salaries, fringe benefits, insurance reimbursements, and insurance premiums were paid from funds other than the General Fund for 2018 and 2019.

The Fiscal Officer's salaries, fringe benefits, and insurance reimbursements were paid for various months in 2018 from the Gasoline Tax Fund in the amount of \$5,146, Cemetery Fund in the amount of \$151, Road and Bridge Fund in the amount of \$121, and the Permissive Sales Tax Capital Projects Fund in the amount of \$1,501 that should have been paid from the General Fund.

The Trustees' salaries, fringe benefits, insurance reimbursements, and insurance premiums were paid for various months in 2018 and 2019 from the Gasoline Tax Fund in the amount of \$46,431, Motor Vehicle License Tax Fund in the amount of \$1,864, Cemetery Fund in the amount of \$3,549, Road and Bridge Fund in the amount of \$18,030; and the Permissive Sales Tax Capital Projects Fund in the amount of \$10,475 that should have been paid from the General Fund.

Had the postings errors in the preceding paragraphs been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have decreased \$87,268 and the Motor Vehicle License Tax Fund, Gasoline Tax Fund, Cemetery Fund, Road and Bridge Fund, and the Permissive Sales Tax Capital Projects Fund cash fund balances would have increased \$1,864, \$51,577, \$3,700, \$18,151; and \$11,976, respectively. Due to the impact these adjustments would have on the various funds, the Township declined to make these adjustments.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraphs, 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 Scioto Township, Jackson County, Ohio, as of December 31, 2019 and 2018, 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 2.

Emphasis of Matter

As discussed in Note 11 to the 2018 financial statements, the Township restated the January 1, 2018 Special Revenue Fund balance to reclassify the Permissive Sales Tax Fund as a Capital Projects Fund. Our opinion is not modified with respect to this matter.

Also as discussed in Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2020

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Scioto Township
Jackson 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, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$48,761	\$166,662	\$0	\$215,423
Intergovernmental	29,249	151,520	151,678	332,447
Earnings on Investments	36	0	0	36
Miscellaneous	893	0	0	893
<i>Total Cash Receipts</i>	<u>78,939</u>	<u>318,182</u>	<u>151,678</u>	<u>548,799</u>
Cash Disbursements				
Current:				
General Government	64,119	0	0	64,119
Public Safety	0	109,573		109,573
Public Works	0	142,297	146,428	288,725
Health	0	31,929	0	31,929
Debt Service:				
Principal Retirement	12,600	6,061	0	18,661
Payment to Refunded Bond Escrow Agent				
Interest and Fiscal Charges	715	209	0	924
<i>Total Cash Disbursements</i>	<u>77,434</u>	<u>290,069</u>	<u>146,428</u>	<u>513,931</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,505</u>	<u>28,113</u>	<u>5,250</u>	<u>34,868</u>
<i>Net Change in Fund Cash Balances</i>	1,505	28,113	5,250	34,868
<i>Fund Cash Balances, January 1</i>	<u>1,841</u>	<u>21,837</u>	<u>14,003</u>	<u>37,681</u>
Fund Cash Balances, December 31				
Restricted	0	49,950	19,253	69,203
Unassigned (Deficit)	<u>3,346</u>	<u>0</u>	<u>0</u>	<u>3,346</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$3,346</u></u>	<u><u>\$49,950</u></u>	<u><u>\$19,253</u></u>	<u><u>\$72,549</u></u>

See accompanying notes to the basic financial statements

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Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Scioto Township, Jackson County, (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.

Public Entity Risk Pool

The Township participates in OTARMA, a public entity risk-sharing 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 Fund The Fire Fund accounts for and reports the portion of fire levy taxes restricted for Fire Department use only.

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

Permissive Sales Tax Fund This fund receives sales tax proceeds which are used to pay for improvement projects, such as roads, culverts, stone, etc. within the Township.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

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 carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting.

A summary of 2019 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.

Accumulated Leave

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

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

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, budgeted expenditures exceeded appropriation authority in the Motor Vehicle License Tax Fund, Road and Bridge Fund, Fire Fund, and Permissive Sales Tax Capital Projects Fund in the amount of \$9,091, \$3,898, \$10,921, and \$11,098, respectively for the year ended December 31, 2019.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$100,403	\$78,939	(\$21,464)
Special Revenue	276,414	318,182	41,768
Capital Projects	118,565	151,678	33,113
Total	\$495,382	\$548,799	\$53,417

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,400	\$77,434	\$22,966
Special Revenue	276,601	290,069	(13,468)
Capital Projects	135,330	146,428	(11,098)
Total	\$512,331	\$513,931	(\$1,600)

Note 5 – Deposits

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

	2019
Demand deposits	\$72,549

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 7 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

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 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2019
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Building Loan	\$6,815	4.25%

The Township issued a promissory note on April 27, 2015 from WesBanco Bank for the purchase of a building. Repayment will be made from the General Fund.

Amortization

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

Year Ending	<u>Building Loan</u>
<u>December 31:</u> 2020	<u>\$7,045</u>

Note 11 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Scioto Township*Jackson 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, 2018*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$49,804	\$169,468	\$0	\$219,272
Intergovernmental	22,428	113,236	164,541	300,205
Earnings on Investments	34	0	0	34
Miscellaneous	6,950	0	0	6,950
<i>Total Cash Receipts</i>	<u>79,216</u>	<u>282,704</u>	<u>164,541</u>	<u>526,461</u>
Cash Disbursements				
Current:				
General Government	70,763	0	0	70,763
Public Safety	0	102,471	0	102,471
Public Works	0	131,108	152,889	283,997
Health	0	25,189	0	25,189
Debt Service:				
Principal Retirement	6,266	11,718	0	17,984
Interest and Fiscal Charges	779	822	0	1,601
<i>Total Cash Disbursements</i>	<u>77,808</u>	<u>271,308</u>	<u>152,889</u>	<u>502,005</u>
<i>Net Change in Fund Cash Balances</i>	1,408	11,396	11,652	24,456
<i>Fund Cash Balances, January 1</i>	<u>433</u>	<u>10,441</u>	<u>2,351</u>	<u>13,225</u>
Fund Cash Balances, December 31				
Restricted	0	21,837	14,003	35,840
Unassigned (Deficit)	<u>1,841</u>	<u>0</u>	<u>0</u>	<u>1,841</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,841</u></u>	<u><u>\$21,837</u></u>	<u><u>\$14,003</u></u>	<u><u>\$37,681</u></u>

See accompanying notes to the basic financial statements

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Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Scioto Township, Jackson County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection services.

Public Entity Risk Pool

The Township participates in OTARMA, a public entity risk-sharing 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 Fund The Fire Fund accounts for and reports the portion of fire levy tax restricted for Fire Department use only.

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

Permissive Sales Tax Fund This fund receives sales tax proceeds which are used to pay for improvement projects, such as roads, culverts, and stone within the Township.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

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 carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting.

A summary of 2018 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.

Accumulated Leave

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

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

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:

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, budgeted expenditures exceeded appropriation authority for all funds for the year ended December 31, 2018, due to the annual appropriation resolution not being approved and on file.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$79,216	\$79,216
Special Revenue	0	282,704	282,704
Capital Projects	0	164,541	164,541
Total	\$0	\$526,461	\$526,461

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$77,808	(\$77,808)
Special Revenue	0	271,308	(271,308)
Capital Projects	0	152,889	(152,889)
Total	\$0	\$502,005	(\$502,005)

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:

	2018
Demand deposits	\$37,681

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 7 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Township 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS0 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Scioto Township
Jackson County
Notes to the Financial Statements
For the Year Ended December 31, 2018
(Continued)

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Truck Loan	\$12,122	3.4%
Building Loan	13,354	4.25%
Total	\$25,476	

The Township issued a promissory note in 2014 from WesBanco Bank for the purchase of a truck and issued a promissory note on April 27, 2015 from WesBanco Bank for the purchase of a building. The Township will repay the truck loan from the Gasoline Tax Fund and the building loan from the General Fund.

Amortization

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

Year Ending	Building Loan	Truck Loan
December 31:		
2019	\$7,045	\$12,540
2020	7,045	0
Total	\$14,090	\$12,540

Note 11 – Restatement of Prior Year Balance

The Township had the following restatement:

	Special Revenue	Capital Projects
Reported Fund Balance at December 31, 2017	\$ 12,792	\$ -
Reclassification of Permissive Sales Tax Fund	(2,351)	2,351
Restated Fund Balance at January 1, 2018:	\$ 10,441	\$ 2,351

OHIO AUDITOR OF STATE KEITH FABER



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

Scioto Township
Jackson County
921 Van Fossan Road
Jackson, Ohio 45640

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 Scioto Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated November 4, 2020 wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also qualified our opinion on the financial statements for 2019 and 2018 due to the Township declining to make adjustments to the General Fund in the amount of \$87,268 and in favor of the Motor Vehicle License Tax Fund, Gasoline Tax fund, Cemetery Fund, Road and Bridge Fund, and the Permissive Sales Tax Fund of \$1,864, \$51,577, \$3,700, \$18,151, and \$11,976, respectively. Also, we noted the Township restated beginning January 1, 2018 Special Revenue Fund balance to reclassify the Permissive Sales Tax Fund as a Capital Project Fund and the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2019-002, 2019-003, and 2019-008 through 2019-010 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 2019-001 through 2019-007.

Township's Responses to Findings

The Township's responses to the finding identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 4, 2020

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-001

Noncompliance

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

Ohio Rev. Code § 133.22 provides 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 provides 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 provides 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 2018 and 2019, the Township made principal payments on outstanding promissory notes in the amount of \$17,984 and \$18,661, respectively. The promissory notes were used by the Township to purchase a truck and building.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

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

Officials' Response: The Township will work with Jackson County Prosecutor to follow all Ohio Rev. Codes.

FINDING NUMBER 2019-002

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code § 505.24(C) sets forth the method by which township trustees' compensation should be allocated. By summary, Ohio Revised Code § 505.24(C) permits trustees to receive per diem payments or annual salaries if voted upon unanimously by the township board of trustees.

If using the annual salary compensation method, the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in Ohio Revised Code § 505.24(C), and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-002

**Finding for Adjustment/Noncompliance/Material Weakness - Ohio Rev. Code § 505.24(C)
(Continued)**

In 2018 and 2019, the Trustees did not complete time certifications, therefore, all gross salaries, and related employer contributions (OPERS, Medicare, insurance reimbursements, and insurance premiums), \$44,829 in 2018 and \$35,520 in 2019 should have been paid from the General Fund.

These errors resulted in misstatements to the financial statements. Management has not made the following adjustments for wage and employer benefits to the accompanying financial statements and the accounting records.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$80,349 and in favor of the Gasoline Tax Fund in the amount of \$46,431, Motor Vehicle License Tax Fund in the amount of \$1,864, Cemetery Fund in the amount of \$3,549, Road and Bridge Fund in the amount of \$18,030, and the Permissive Sales Tax Capital Projects Fund in the amount of \$10,475.

The Township should implement policies and procedures to help ensure compensation and certifications are made in accordance with Ohio Rev. Code § 505.24.

Officials' Response: Scioto Township is working on changing the procedures to ensure we are handling the compensation and certifications that is stated in Ohio Rev. Code 505.24. The Fiscal Officer is going back into the cashbook and making changes for 2020. Trustees will review and sign off on each month.

FINDING NUMBER 2019-003

Finding for Adjustment/Noncompliance/Material Weakness

Ohio Rev. Code § 507.09(D) provides the township fiscal officer may be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each Fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

For 2018, the Fiscal Officer's salary was paid one hundred percent from the General Fund for nine months. For January, March, and August, the Fiscal Officer's salary and fringe benefits were paid one hundred percent from the Gasoline Tax Fund and Permissive Sales Tax Fund in the amount of \$3,000 and \$1,501, respectively, which the Fiscal Officer did not follow the requirements of Ohio Rev. Code § 505.24(C), nor did the Fiscal Officer maintain time and effort documentation. Furthermore, Fiscal Officer health insurance reimbursements were paid from the Gasoline Tax Fund in the amount of \$905 during these months and dental and vision insurance premiums of \$1,513 were paid from the Gasoline Tax Fund in the amount of \$1,241, Cemetery Fund in the amount of \$151, and \$121 paid from the Road and Bridge Fund.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$6,919 and in favor of the Gasoline Tax Fund in the amount of \$5,146, Cemetery Fund in the amount \$151, Road and Bridge Fund in the amount \$121, and the Permissive Sales Tax Fund in the amount \$1,501.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-003 (Continued)

**Finding for Adjustment/Noncompliance/Material Weakness - Ohio Rev. Code § 507.09(D)
(Continued)**

The Fiscal Officer has not posted these adjustments to the Township records, and therefore, they are not reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund.

Officials' Response: The Fiscal Officer is working on and making changes to follow the Ohio Rev. Code to make adjustments to funds. The Fiscal Officer has also contacted someone to help her make sure she is understanding procedures and following all guidelines.

FINDING NUMBER 2019-004

Noncompliance

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2018. This was not detected by the Township due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

Officials' Response: The Fiscal Officer will work with the County Auditor to ensure she has the total amount of all sources. The Fiscal Officer has reached out for help and guidance on this matter.

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

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

FINDING NUMBER 2019-005

Noncompliance

Ohio Rev. Code § 5705.38 provides, in part, that on or about the first day of each fiscal year, the taxing authority of each subdivision or other taxing unit shall pass an appropriation measure. If the taxing authority desires to postpone the passage of the annual appropriation measure until an amended certificate is received based upon the actual balances, it may pass a temporary appropriation measure for meeting the ordinary expenses of the taxing unit until no later than the first day of April.

The Township did not approve appropriations for 2018, and 2019 appropriations were not approved until January 28, 2019.

The Board of Trustees should approve appropriations on or about the first day of each fiscal year.

Officials' Response: The Board of Trustees and Fiscal Officer will meet on the first Monday in January of the year to review and approve appropriations.

FINDING NUMBER 2019-006

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Township had expenditures in excess of appropriations as follows:

December 31, 2019	Authority	Expenditures	Variance
Motor Vehicle License Fund	\$ 17,662	\$26,753	\$ (9,091)
Road and Bridge Fund	29,890	33,788	(3,898)
Fire Fund	98,652	109,573	(10,921)
Permissive Sales Tax Capital Projects Fund	135,330	146,428	(11,098)

December 31, 2018	Authority	Expenditures	Variance
General Fund	\$0	\$77,764	\$ (77,764)
Motor Vehicle License Tax Fund	0	12,097	(12,097)
Gasoline Tax Fund	0	95,024	(95,024)
Road and Bridge Fund	0	36,527	(36,527)
Cemetery Fund	0	25,189	(25,189)
Fire Fund	0	102,471	(102,471)
Permissive Sales Tax Capital Projects Fund	0	152,889	(152,889)

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-006 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)

The Board of Trustees should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

Officials' Response: The Board of Trustees and the Fiscal Officer will work closer and communicate about future expenses. The Fiscal Officer will make sure the Trustees are fully informed of all financial situations and they will contact the Fiscal Officer to secure there is funds in the appropriate account before purchasing any items.

FINDING NUMBER 2019-007

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that treasurer'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 Rev. Code.

1. "Then and Now" certificate – If the chief fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collections, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions 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 – The auditor or fiscal officer 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.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-007 (Continued)

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

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.

3. Super Blanket Certificate – The Board of Trustees 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, 100% of the transactions tested at year-end were not certified by the Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 help ensure 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, the Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: As stated in the previous finding, there is new procedures being implemented to make sure the Township has funds in said account. Fiscal Officer has reached out for help in following this procedure for clearer understanding so the Township will be following the Ohio. Rev. Code.

FINDING NUMBER 2019-008

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.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-008 (Continued)

Material Weakness (Continued)

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

An appropriation ledger and receipts ledger were not maintained for 2018 or 2019. However, the Fiscal Officer included budgeted amounts in the budgetary footnotes filed through the Hinkle system for both 2018 and 2019. This resulted in the 2018 budgeted receipts and appropriation authority in the notes to the financial statements being overstated for the General Fund and Special Revenue by \$67,700 and \$150,500, respectively, as the Township did not approve annual appropriations for 2018 nor file a certificate of all amounts available for expenditures with the County Auditor. For 2019, the budgeted receipts in the notes to the financial statements were understated in the General, Special Revenue, and Capital Projects Funds by \$19,403, \$132,914, and \$118,565 respectively. Further, appropriations in the notes to the financial statements for 2019 were understated in the General, Special Revenue, and Capital Projects Funds by \$19,400, \$133,101, and \$135,330, respectively. The Capital Projects Fund for both years was incorrectly reported under the Special Revenue fund type in the notes to the financial statements.

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 Board were not posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not 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 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.

Officials' Response: The Fiscal Officer has been made aware of several procedures that she has not been following and implementing changes. The Fiscal Officer is currently working to correct this and will be working with the County Auditor to stay on top of the funding. With regards to the reporting, the Capital Projects Fund under Special Revenue has been reported this way in years past. The Fiscal Officer now understands this fund should be shown as Capital Projects when filing the end of year report.

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-009

Material Weakness

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 and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were completed for each month of 2019 and 2018. However, we noted the Fiscal Officer was recording checks in the manual cash journal when they cleared the bank rather than the date that they were written. In addition, errors were noted in the outstanding check listing, as a result of some disbursements not recorded in the cashbook and some never cleared the bank.

The following errors were noted that required audit adjustments:

- Motor Vehicle License Fund public work disbursements were understated \$890 due to checks written in December 2019 not recorded in the cashbook until they cleared in January 2019;
- General Fund general government disbursements were understated \$769 due to checks written and cleared the bank during 2019 never recorded in the cashbook;
- Gasoline Tax Fund public works disbursements were understated \$2,040 due to a check written in December 2019 not recorded in the cashbook until it cleared in January 2020;
- Road and Bridge public works disbursements were understated \$18 due to a check written in December 2019 not recorded in the cashbook until it cleared in January 2020.
- Motor Vehicle License Tax Fund public works disbursements were overstated \$890 due checks written in December 2018 recorded in the cashbook in January 2019; and
- Fire Fund public safety disbursements were overstated \$3,935 due to a disbursement in February 2019 never clearing the bank nor being included in the outstanding check listing.

The audited financial statements have been adjusted for the items noted above.

Failure to record all activity within the month it occurs 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.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

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

FINDING NUMBER 2019-009 (Continued)

Material Weakness (Continued)

Further, disbursements should be recorded in the cashbook when written, rather than when they clear the bank. This will help maintain an accurate outstanding check listing.

Officials' Response: The Fiscal Officer has talked with the Auditor and is working and adjusting her procedures to correct this issue. The Fiscal Officer is working and researching to be complaint. Also, the Fiscal Officer plans to be up and running on the UAN system in January 2021.

FINDING NUMBER 2019-010

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 filed in the Hinkle system that required audit reclassifications or adjustments to reconcile the Hinkle filing to the Township's cash book and agree beginning January 1 balances to the prior audit report:

In 2018:

- General Fund general government and health disbursements of \$2,034 and \$1,500, respectively were overstated;
- General Fund general government disbursements were overstated and January 1, 2018 beginning balance was overstated by \$3,605;
- General Fund taxes receipts and intergovernmental receipts of \$6,743 and \$2,913, respectively, were overstated;
- Motor Vehicle License Tax Fund taxes receipts were overstated by \$302;
- Motor Vehicle License Tax Fund public works disbursements were overstated by \$1,550;
- Motor Vehicle License Tax Fund public works disbursements and January 1, 2018 beginning balance were understated by \$122;
- Gasoline Tax Fund taxes receipts were overstated by \$5,110;
- Gasoline Tax Fund public works disbursements were overstated \$1,144;
- Cemetery Fund taxes receipts were understated by \$1,460;
- Cemetery Fund health disbursements were understated \$1,694;
- Cemetery Fund January 1, 2018 beginning fund balance was overstated \$1 in comparison to the audited December 31, 2017 ending fund balance;
- Fire Fund January 1, 2018 beginning fund balance was understated by \$1 in comparison to the audited December 31, 2017 ending fund balance;
- Fire Fund taxes receipts were overstated by \$3,989;
- Road and Bridge Fund taxes receipts were understated by \$1,747;
- Road and Bridge Fund public works disbursements were understated by \$2,694;
- Permissive Sales Tax Capital Projects Fund public works disbursements were overstated by \$625.
- Permissive Sales Tax Capital Projects Fund taxes receipts were overstated by \$2,351; and

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-010 (Continued)

Material Weakness (Continued)

- Permissive Sales Tax Capital Projects Fund taxes receipts of \$164,541, public works disbursements of \$152,889, and beginning fund balance of \$2,351 were incorrectly classified in a Special Revenue Fund;

In 2019:

- General Fund taxes receipts were understated by \$3,685 and miscellaneous receipts were overstated by \$10,000;
- General Fund general government and health disbursements were overstated by \$2,159 and \$1,500, respectively;
- Motor Vehicle License Tax Fund taxes receipts were overstated by \$3,024;
- Motor Vehicle License Tax Fund public works disbursements were overstated \$6,897;
- Gasoline Tax Fund taxes receipts were overstated by \$596;
- Gasoline Tax Fund public works disbursements were understated by \$6,077;
- Cemetery Fund taxes receipts were overstated by \$10,972;
- Cemetery Fund health disbursements were understated \$3,803;
- Fire Fund taxes receipts were overstated by \$3,841;
- Fire Fund public safety disbursements were overstated by \$2,722;
- Road and Bridge Fund taxes receipts were overstated by \$160;
- Road and Bridge Fund public works disbursements were understated by \$2,286;
- Permissive Sales Tax Capital Projects Fund taxes receipts of \$152,135, public works disbursements of \$146,428, and beginning fund balance of \$14,003 were incorrectly classified in a Special Revenue Fund;
- Permissive Sales Tax Capital Projects Fund taxes receipts were overstated by \$13,378; and
- Permissive Sales Tax Capital Projects Fund public works disbursements were overstated by \$10.

The audited financial statements have been adjusted for the issues noted above.

In addition, the following errors were noted in the financial statements that required audit adjustments or reclassifications:

In 2018:

- General Fund debt service principal retirement and interest disbursements of \$6,266 and \$779, respectively, were incorrectly classified as general government disbursements;
- General Fund taxes receipts and general government disbursements of \$4,047 were unrecorded;
- General Fund intergovernmental receipts of \$7,033 were incorrectly classified as taxes receipts;
- General Fund miscellaneous receipts of \$6,609 were incorrectly classified as taxes receipts;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$515 were incorrectly recorded in the General Fund as intergovernmental receipts;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$1,521 were incorrectly recorded in the Gasoline Tax Fund as taxes receipts;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$15,664 were incorrectly classified as taxes receipts;
- Gasoline Tax Fund debt service principal retirement and interest disbursements of \$11,718 and \$822, respectively, were incorrectly classified as public works disbursements;

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-010 (Continued)

Material Weakness (Continued)

- Gasoline Tax Fund intergovernmental receipts of \$89,542 were incorrectly classified as taxes receipts;
- Cemetery Fund taxes receipts and health disbursements of \$1,273 were unrecorded;
- Cemetery Fund intergovernmental receipts of \$53 were incorrectly recorded in the General Fund as intergovernmental receipts;
- Road and Bridge Fund intergovernmental receipts of \$4,326 were incorrectly classified as taxes receipts;
- Road and Bridge Fund taxes receipts and public works disbursements of \$1,311 were unrecorded;
- Road and Bridge Fund intergovernmental receipts of \$63 were incorrectly recorded in the General Fund as intergovernmental receipts;
- Fire Fund taxes receipts and public safety disbursements of \$3,820 were unrecorded;
- Fire Fund intergovernmental receipts of \$1,364 were incorrectly recorded in the Cemetery Fund as taxes receipts;
- Fire Fund intergovernmental receipts of \$188 were incorrectly recorded in the General Fund as intergovernmental receipts; and
- Permissive Sales Tax Capital Projects Fund intergovernmental receipts of \$164,541 were incorrectly classified as taxes receipts.

In 2019:

- General Fund debt service principal retirement and interest disbursements of \$12,600 and \$715, respectively, were incorrectly classified as general government disbursements;
- General Fund taxes receipts and general government disbursements of \$3,429 were unrecorded;
- General Fund intergovernmental receipts of \$7,312 were incorrectly classified as taxes receipts;
- Motor Vehicle License Tax Fund intergovernmental receipts of \$26,438 were incorrectly classified as taxes receipts;
- Gasoline Tax Fund debt service principal retirement and interest disbursements of \$6,061 and \$209, respectively, were incorrectly classified as public works disbursements;
- Gasoline Tax Fund intergovernmental receipts of \$109,690 were incorrectly classified as taxes receipts;
- Cemetery Fund taxes and health disbursements of \$1,153 were unrecorded;
- Cemetery Fund intergovernmental receipts of \$91 were incorrectly recorded in the General Fund as taxes receipts;
- Road and Bridge Fund intergovernmental receipts of \$4,408 were incorrectly classified as taxes receipts;
- Road and Bridge Fund intergovernmental receipts of \$457 were incorrectly recorded in the Permissive Sales Tax Capital Projects Fund as taxes receipts;
- Road and Bridge Fund intergovernmental receipts of \$162 were incorrectly recorded in the General Fund as taxes receipts;
- Fire Fund taxes receipts and public safety disbursements of \$3,460 were unrecorded;
- Fire Fund intergovernmental receipts of \$10,000 were incorrectly classified as taxes receipts;
- Fire Fund intergovernmental receipts of \$274 were incorrectly recorded in the General Fund as taxes receipts; and
- Permissive Sales Tax Capital Projects Fund intergovernmental receipts of \$151,679 were incorrectly classified as taxes receipts.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019 AND 2018
(Continued)

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>
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FINDING NUMBER 2019-010 (Continued)

Material Weakness (Continued)

The audited financial statements and the Township's manual cash journal have been adjusted for the issues noted above.

The Fiscal Officer should review the Township handbook for guidance to ensure financial statements are complete and accurate.

Officials' Response: The Fiscal Officer has received guidance from the auditor to make adjustments on her procedures. The Fiscal Officer has learned that many of the ways she was told and showed are being done incorrectly. A copy of the Township handbook is now printed for the Office and herself. The Fiscal Officer has also reached out to the State also for guidance. The Fiscal Officer is working on some online training and will be using the UAN system.

Scioto Township Board of Trustees

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 5705.41(D)(1) – Not properly encumbering.	Not Corrected	As stated below, I have a much better understanding and have and will continue to make changes to make sure Township has funds in said account. I have been in contact with someone to help and have a clear understanding so the Township will be following the Ohio. Rev. Code.
2017-002	Ohio Rev. Code § 5705.41 (B) – Disbursements exceeded appropriations.	Not Corrected.	With a better understanding of how to remedy this funding, the Trustees and Fiscal Officer will work closer and communicate about the future expenses. The Fiscal Officer will make sure the Trustees are fully informed of all financial situations and they will contact the Fiscal Officer to secure there is funds in the appropriate account before purchasing any items.
2017-003	Ohio Rev. Code § 5705.39 – Appropriations exceeded estimated resources.	Corrected.	
2017-004	Ohio Admin. Code § 117-2-02(C)(1) – No budgetary appropriation or receipt ledgers	Not Corrected.	I am and have been using just a cash journal. From this current audit, I have been given guidance on how I should correct. I am working on a spreadsheet to help follow the appropriations and receipts. I am also working on being up and running in UAN by January 2021.
2017-005	Ohio Rev. Code § 9.38 – Receipts not timely deposited.	Not Corrected.	This has been corrected and deposits are being done the following day they were received.
2017-006	Material Weakness – Posting Receipts and Disbursements.	Not Corrected.	This is another issue that has been addressed during the audit as well, the Auditor has given guidance and changes are being made, as the checks are written they are being entered into the cash journal.

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OHIO AUDITOR OF STATE KEITH FABER



SCIOTO TOWNSHIP

JACKSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 11/19/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov