



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

SCIOTO TOWNSHIP
JACKSON COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015, 2014, and 2013
Fiscal Years Audited Under GAGAS: 2015, 2014, and 2013



Dave Yost • Auditor of State

Board of Trustees
Scioto Township
40 Van Fosson Rd
Beaver, OH 45613

We have reviewed the *Independent Auditor's Report* of Scioto Township, Jackson County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2013 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Scioto Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 1, 2017

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**SCIOTO TOWNSHIP
JACKSON COUNTY, OHIO**

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Scioto Township
Jackson County
40 Van Fosson Road
Beaver, Ohio 45613

To the Board of Trustees:

Report on the Financial Statements

We were engaged to audit 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, 2015, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Because of the matters described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to support an audit opinion.

Basis for Disclaimer of Opinion

The Township's fund balances per their accounting records were not reconciled to the bank account balances throughout 2015, 2014 and 2013. Although there were differences between the fund balances per their accounting records and the bank account balances, there were no reconciling items identified by the Township. We also noted receipt and disbursement items that were not properly posted to the accounting records.

The accounting records and financial statements do not reflect all the financial transactions of the Township and, therefore, we were unable to satisfy ourselves as to the receipts, disbursements or fund cash balances at December 31, 2015, 2014, or 2013.

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material and would have resulted in an additional opinion modification if we had opined on the financial statements.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* paragraph, we were unable to obtain sufficient appropriate audit evidence to support an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of a Matter

The accompanying financial statements present unclassified receipts and disbursements by fund type totals only. Ohio Administrative Code Section 117-2-02(A) requires townships to classify receipt and disbursement transactions.

We were unable to obtain sufficient appropriate audit evidence to support the receipts and disbursements for the General Fund and Special Revenue Funds for the years ended December 31, 2015, 2014 and 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the Township's internal control over financial reporting and on 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 Standard* in considering the Township's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 23, 2016

**SCIOTO TOWNSHIP
JACKSON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Total Unclassified Cash Receipts	\$ 85,818	\$ 375,725	\$ 461,543
Cash Disbursements:			
Total Unclassified Cash Disbursements	84,222	414,073	498,295
Total Unclassified Receipts Over (Under) Unclassified Disbursements	1,596	(38,348)	(36,752)
Fund Cash Balances, January 1	18,661	49,258	67,919
Fund Cash Balances, December 31	\$ 20,257	\$ 10,910	\$ 31,167

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

**SCIOTO TOWNSHIP
JACKSON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Total Unclassified Cash Receipts	\$ 64,507	\$ 360,283	\$ 424,790
Cash Disbursements:			
Total Unclassified Cash Disbursements	80,166	384,628	464,794
Total Unclassified Receipts Over (Under) Unclassified Disbursements	(15,659)	(24,345)	(40,004)
Fund Cash Balances, January 1	34,320	73,603	107,923
Fund Cash Balances, December 31	\$ 18,661	\$ 49,258	\$ 67,919

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

**SCIOTO TOWNSHIP
JACKSON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Total Unclassified Cash Receipts	\$ 84,362	\$ 350,852	\$ 435,214
Cash Disbursements:			
Total Unclassified Cash Disbursements	58,959	342,564	401,523
Total Unclassified Receipts Over Unclassified Disbursements	25,403	8,288	33,691
Fund Cash Balances, January 1	8,917	65,315	74,232
Fund Cash Balances, December 31	\$ 34,320	\$ 73,603	\$ 107,923

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

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Township participates in the Ohio Township Risk Management Authority (OTARMA) which is an insurance risk-sharing pool available to Ohio Townships. Note 6 provides additional information regarding this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits and Investments

The Township deposits all available funds in an interest earning checking account at a local commercial bank. All deposits are valued at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for the proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund – This fund receives gasoline tax money to pay for constructing, maintaining, and repairing township roads.

Fire Fund – This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Permissive Sales Tax Fund – This fund receives sales tax proceeds which are used to pay for improvement projects within the Township.

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. The County Budget Commission must also approve the annual appropriation measure. 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 also 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.

A summary of 2015, 2014, and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

G. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH

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

	2015	2014	2013
Demand Deposits	\$ 31,167	\$ 67,919	\$ 107,923

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015, 2014, and 2013 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 69,880	\$ 85,818	\$ 15,938
Special Revenue	432,274	375,725	(56,549)
Total	\$ 502,154	\$ 461,543	\$ (40,611)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,000	\$ 84,222	\$ (14,222)
Special Revenue	409,354	414,073	(4,719)
Total	\$ 479,354	\$ 498,295	\$ (18,941)

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 84,762	\$ 64,507	\$ (20,255)
Special Revenue	260,099	360,283	100,184
Total	\$ 344,861	\$ 424,790	\$ 79,929

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 70,000	\$ 80,166	\$ (10,166)
Special Revenue	355,765	384,628	(28,863)
Total	\$ 425,765	\$ 464,794	\$ (39,029)

2013 Budgeted vs. Actual Receipts

Fund Type	Receipts	Receipts	Variance
General	\$ 66,695	\$ 84,362	\$ 17,667
Special Revenue	158,256	350,852	192,596
Total	\$ 224,951	\$ 435,214	\$ 210,263

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 63,600	\$ 58,959	\$ 4,641
Special Revenue	332,850	342,564	(9,714)
Total	\$ 396,450	\$ 401,523	\$ (5,073)

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 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 elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, which include postretirement healthcare and survivor and disability benefits as prescribed by the Ohio Revised Code.

The Ohio Revised Code also prescribes contribution rates. For 2015, 2014, and 2013, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants’ gross salaries.

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.

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

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, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015, 2014, and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets	\$37,313,311	\$35,970,263	\$34,954,286
Liabilities	\$8,418,518	8,912,432	8,486,363
Net Position	\$28,894,793	\$27,057,831	\$26,467,923

At December 31, 2015, 2014, and 2013, respectively, the liabilities above include approximately \$7.8, \$8.2, and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.7, \$7.2, and \$7.4 million of unpaid claims to be billed to approximately 989, 957, and 957 member governments in the future, as of December 31, 2015, 2014, and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

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>2015</u>	<u>2014</u>	<u>2013</u>
\$5,038	\$3,704	\$3,989

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.

**SCIOTO TOWNSHIP
JACKSON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015, 2014, AND 2013**

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.



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Scioto Township
Jackson County
40 Van Fosson Road
Beaver, Ohio 45613

To the Board of Trustees:

We were engaged to audit, 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, (the Township) as of and for the years ended December 31, 2015, 2014, and 2013 and the related notes to the financial statements, and have issued our report thereon dated December 23, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the Township did not prepare financial statement using proper classifications and the accompanying financial statements were presented with unclassified receipts and disbursements by fund type only. We did not opine on these financial statements because we were unable to obtain sufficient audit evidence over the receipts, expenditures, or fund cash balances at December 31, 2015, 2014, and 2013 and we were unable to satisfy ourselves through alternative audit procedures to support an audit opinion.

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 2015-006 through 2015-010 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 2015-001 through 2015-008.

Township's Responses to the 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 testing 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 23, 2016

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013**

FINDING NUMBER 2015-001

Noncompliance Citation

Ohio Revised Code section 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.

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 Section 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

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

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
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's Fiscal Officer did not certify the availability of funds prior to making commitments during 2013, 2014, and 2015. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

The Township's Fiscal Officer should certify the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Ohio Rev. Code section 5705.41(D) requires to authorize disbursements.

Client Response:

Will be making changes at organizational meeting. All employees and trustees will contact me.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

FINDING NUMBER 2015-002

Noncompliance Citation

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

During testing we noted, in fiscal year 2015 the General, Gas Tax, Road and Bridge, Cemetery Fund, and Fire District funds had expenditures in excess of appropriations. In 2014 the General, Road and Bridge funds had expenditures in excess of appropriations. In 2013, the Motor Vehicle License Tax fund, Cemetery Fund, and Fire District.

Expenditures for each fund should not exceed appropriations. Failure to follow approved budgets could lead to overspending and the possibility of negative fund balances. To ensure expenditures do not exceed appropriations, the Township should monitor its financial activity periodically and amend its approved budgets accordingly.

Client Response:

Will and I am monitoring.

FINDING NUMBER 2015-003

Noncompliance Citation

Ohio Revised Code 5705.39 Appropriations limited by estimated revenue. The total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. Appropriations shall be made from each fund only for the purposes for which such fund is established.



The Township should implement monitoring procedures to ensure compliance with 5705.39. Procedures for monitoring for compliance with this section ensure that monies are not expended in excess of allowable limits (unencumbered balances and estimated resources).

Client Response:

Have made a lot of changes and will be making more – have someone coming in 2 nights a week to work with me.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

FINDING NUMBER 2015-004

Noncompliance Citation

Pursuant to *Ohio Rev. Code §149.43(E)*, the Ohio Attorney General shall develop and provide to all public offices a model public records policy for responding to public records requests in compliance with Ohio Rev. Code §149.43 in order to provide guidance to public offices in developing their own public record policies for responding to public records requests in compliance with that section.

Pursuant to *Ohio Rev. Code 149.43(B)(2)*, the entity shall have available a copy of its current records retention schedule at a location readily available to the public.

A formal records policies should be adopted by the Township board and monitored to ensure that the policy is being followed accordingly.

Client Response:

Working with someone to set up all formal policies.

FINDING NUMBER 2015-005

Noncompliance Citation

Subdivision treasurers must complete annual continuing education programs provided by the Treasurer of State (TOS). The TOS issues certificates indicating that the treasurer has successfully completed the continuing education program.

The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only:

- (1) Interim deposits pursuant to § 135.14 (B)(3);
- (2) STAR Ohio pursuant to § 135.14(B)(6);
- (3) No-load money market mutual funds pursuant to § 135.14 (B)(5)

Because the Township only has interim deposits they are not required to take the TOS required training course. However, an exemption should be filed with the AOS.

Client Response:

Working on setting up training.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

FINDING NUMBER 2015-006

Noncompliance Citation/Material Weakness

Rule 117-2-02(A) of the Ohio Administrative Code (OAC), directs all public offices to 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, and prepare financial statements required by rule 117-2-03 of the OAC. During our audit we noted six checks that did not have support.

The township does not have accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements. The township should maintain supporting documentation for all expenditures.

Client Response:

Will review all checks and make sure all checks have support.

FINDING NUMBER 2015-007

Noncompliance Citation/Material Weakness

Ohio Admin. Code 117-2-02(C)(1) also states in part: all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances

We recommend that the fiscal officer ensure the appropriated amounts, per fund-function-object are being recorded in the township's manual accounting system. We also recommend that the fiscal officer monitor encumbrances and unencumbered fund balances.

Client Response:

Start on UAN in 2017. Have been working on changes and have got someone to come in and help revamp everything.

SCIOTO TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013

FINDING NUMBER 2015-008

Noncompliance Citation/Material Weakness

Pursuant to *Ohio Rev. Code §121.22*, All meetings of any public body are declared to be public meetings open to the public at all times. A member of a public body shall be present in person at a meeting open to the public to be considered present or to vote at the meeting and for purposes of determining whether a quorum is present at the meeting. The minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions authorized.

The township did not provide supporting documentation for fiscal years 2014 and 2013 minutes. Due to not maintaining minutes there is no verification that appropriations and amendments were passed by the board of trustees.

We recommend that the township keep proper records of all public meeting minutes.

Client Response:

All meetings are now recorded and minutes done.

FINDING NUMBER 2015-009

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, verify the existence and valuation of assets and liabilities and periodically reconcile them with the accounting records.

There were several transactions unposted to the Township's appropriations ledger, receipts ledger, and cashbook. The township failed to provide supporting payroll transaction list for fiscal year 2015 and fund ledgers for fiscal years 2013, 2014, and 2015. The township did not provided financial statements for fiscal year 2013. The financial statements that were uploaded on the Hinkle System do not appear adequate to make the proper classifications

We recommend that the Township Fiscal Officer maintain all documentation that is necessary to have complete accounting records to ensure proper reporting of the township's fund balances, financial statements, and accounting ledgers.

Client Response:

Have made lots of changes in 2016 and will be on UAN in 2017.

FINDING NUMBER 2015-010

Material Weakness

Reconciliations between the Township's accounting records and the bank activity should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and Township fund balances. The Township's fund balances per their accounting records were not reconciled to the bank account balances throughout 2015, 2014 and 2013. Each month's variance between the accounting records and the bank account balances, after considering reconciling items, was unsupported. There was no indication that the composition of these variances were properly investigated or identified, nor were the amounts of the variances consistent from month to month nor year to year.

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013**

FINDING NUMBER 2015-010 (Continued)

Material Weakness

Failure to reconcile bank to Township fund balances and include all transactions resulted in errors or irregularities undetected by management and could result in misguided decisions made by the Board based on inaccurate financial reports provided to them. In addition, this resulted in the financial statements being materially misstated. We recommend the Township reconcile all bank accounts to the accounting records on a timely basis. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances including those noted above should be researched to determine the source of the error. All errors should be corrected on the Township's ledgers following the completion of the reconciliation. In addition, the Trustees should establish review procedures over the reconciliation process.

Client Response:

The Client did not provide a response for the above finding.

**SCIOTO TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014, AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2012-001	ORC Section 5705.41(D); Township did not certify the availability of funds before contracting to procure goods and services.	No	Reissued as finding 2015-001
2012-002	ORC Section 5705.41(B); Township had expenditures in excess of appropriations	No	Reissued as finding 2015-002
2012-003	ORC Section 5705.39; the Township had appropriations in excess of estimated resources	No	Reissued as finding 2015-003

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Dave Yost • Auditor of State

SCIOTO TOWNSHIP

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 13, 2017