

Scipio Township
Meigs County
Regular Audit
For the Years Ended December 31, 2019 and 2018



Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Trustees
Scipio Township
25198 State Route 143
Pomeroy, Ohio 45769

We have reviewed the *Independent Auditor's Report* of Scipio Township, Meigs County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2019. 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. Scipio Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 11, 2020

This page intentionally left blank.

Scipio Township
Meigs County
Table of Contents
For the Years Ended December 31, 2019 and 2018

Title	Page
Independent Auditor’s Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2019	4
Notes to the Financial Statements –For the Year Ended December 31, 2019.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2018	11
Notes to the Financial Statements – For the Year Ended December 31, 2018.....	12
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Schedule of Findings and Responses	20
Schedule of Prior Audit Findings.....	23

This page intentionally left blank.

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Scipio Township, Meigs County, (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 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 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 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.

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 Section 117.38 and Ohio Administrative Code Section 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 years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Scipio Township, Meigs County, as of December 31, 2019 and 2018, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

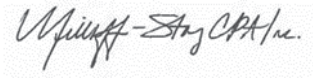
Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will 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 May 22, 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.

Scipio Township
Meigs County
Independent Auditor's Report
Page 3

A handwritten signature in black ink that reads "Millhuff-Stang CPA, Inc." The signature is written in a cursive, flowing style.

Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 22, 2020

Scipio Township
Meigs County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2019

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$15,630	\$82,275	\$97,905
Intergovernmental	29,135	176,830	205,965
Earnings on Investments	307	992	1,299
Miscellaneous	0	125	125
Total Cash Receipts	45,072	260,222	305,294
Cash Disbursements:			
Current:			
General Government	37,614	10,077	47,691
Public Safety	0	30,329	30,329
Public Works	0	226,347	226,347
Health	0	511	511
Other	0	35,203	35,203
Debt Service:			
Redemption of Principal	0	6,488	6,488
Interest and Other Fiscal Charges	0	763	763
Total Cash Disbursements	37,614	309,718	347,332
Total Cash Receipts Over (Under) Cash Disbursements	7,458	(49,496)	(42,038)
Other Financing Receipts:			
Other Financing Sources	1,750	57,072	58,822
Sale of Capital Asset	0	7,131	7,131
Total Other Financing Receipts	1,750	64,203	65,953
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	9,208	14,707	23,915
Fund Cash Balances, January 1	43,092	152,911	196,003
Restricted for:			
Cemetery	0	3,581	3,581
Fire Operations	0	25,917	25,917
Economic Development	0	12,450	12,450
Road and Bridge Maintenance and Improvements	0	113,007	113,007
Committed	0	12,663	12,663
Assigned for Future Year Appropriations	52,300	0	52,300
Fund Cash Balances, December 31	\$52,300	\$167,618	\$219,918

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

Scipio Township
Meigs 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 Scipio Township, Meigs County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Scipio Township Volunteer Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statement consists 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 This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

Basis of Accounting

This financial statement follows 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).

This statement includes 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.

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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 cancelled and reappropriated in the subsequent year.

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 statement does 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 statement does not include a liability for unpaid leave.

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.

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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, appropriations exceeded available resources in the General, Motor Vehicle, Gas Tax, Road and Bridge and Road Maintenance Funds at December 31, 2019. The Township also had a promissory note with a financial institution which is not an allowable type of debt.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2019 as follows:

Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$46,137	\$46,822	\$685
Special Revenue	<u>370,595</u>	<u>324,425</u>	<u>(46,170)</u>
Total	<u>\$416,732</u>	<u>\$371,247</u>	<u>(\$45,485)</u>

Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$90,413	\$37,614	\$52,799
Special Revenue	<u>512,404</u>	<u>309,718</u>	<u>202,686</u>
Total	<u>\$602,817</u>	<u>\$347,332</u>	<u>\$255,485</u>

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 - Deposits and Investments

The Township maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments as of December 31, 2019 was as follows:

Demand Deposits	\$208,210
Certificates of Deposit	<u>11,708</u>
Total Deposits and Investments	<u>\$219,918</u>

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 - Property Taxes

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 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 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2019.

Note 9 - Risk Management

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

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

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

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Risk Management (Continued)

functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2018, 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, 2018 (the latest information available):

Assets	\$33,097,416
Liabilities	<u>7,874,610</u>
Net Position	<u><u>\$25,222,806</u></u>

At December 31, 2018, the liabilities above include approximately \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 1,018 member governments in the future, as of December 31, 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

2019 Contributions to OTARMA
<hr/>
\$8,419

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 - Debt

Debt outstanding at December 31, 2019, was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck Loan – Farmers Bank	\$12,121	4.50%

The Township obtained a loan through Farmers Bank and Savings Company on September 26, 2018 in the amount of \$20,225 to purchase a grader in the amount of \$20,000. This loan will be repaid in quarterly installments of \$1,812.74 for a term of three years with a fixed interest rate of 4.50% per annum. The dump truck collateralized the loan.

Amortization

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

<u>Year Ending</u> <u>December 31:</u>	Dump Truck <u>Loan</u>
2020	\$7,251
2021	<u>5,438</u>
Total	<u>\$12,689</u>

Note 11 – Subsequent Event

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 ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact of the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Scipio Township
Meigs County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$16,533	\$86,908	\$103,441
Intergovernmental	29,184	149,174	178,358
Earnings on Investments	237	1,047	1,284
Miscellaneous	0	5,150	5,150
Total Cash Receipts	45,954	242,279	288,233
Cash Disbursements:			
Current:			
General Government	40,263	10,056	50,319
Public Safety	0	31,373	31,373
Public Works	0	213,546	213,546
Health	0	354	354
Capital Outlay	0	15,483	15,483
Debt Service:			
Redemption of Principal	0	1,616	1,616
Interest and Other Fiscal Charges	0	197	197
Total Cash Disbursements	40,263	272,625	312,888
Total Cash Receipts Over (Under) Cash Disbursements	5,691	(30,346)	(24,655)
Other Financing Receipts:			
Proceeds from Debt	0	20,225	20,225
Sale of Capital Asset	0	1,404	1,404
Other Financing Sources	2,083	50,299	52,382
Total Other Financing Receipts	2,083	71,928	74,011
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	7,774	41,582	49,356
Fund Cash Balances, January 1 - Restated	35,318	111,329	146,647
Restricted for:			
Cemetery	0	3,245	3,245
Fire Operations	0	20,680	20,680
Economic Development	0	45,420	45,420
Road and Bridge Maintenance and Improvements	0	72,386	72,386
Committed	0	11,180	11,180
Unassigned	43,092	0	43,092
Fund Cash Balances, December 31	\$43,092	\$152,911	\$196,003

Scipio Township
Meigs 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 Scipio Township, Meigs County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, and cemetery maintenance. The Township contracts with the Scipio Township Volunteer Fire Department to provide fire services.

Public Entity Risk Pool

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statement consists 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 This fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

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

Basis of Accounting

This financial statement follows 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).

This statement includes 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.

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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 cancelled and reappropriated in the subsequent year.

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 statement does 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 statement does not include a liability for unpaid leave.

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.

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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

The Township had a promissory note with a financial institution which is not an allowable type of debt.

Note 4 - Budgetary Activity

Budgetary activity for the years ending December 31, 2018 as follows:

Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$45,966	\$48,037	\$2,071
Special Revenue	<u>315,800</u>	<u>314,207</u>	<u>(1,593)</u>
Total	<u>\$361,766</u>	<u>\$362,244</u>	<u>\$478</u>

Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$45,966	\$40,263	\$5,703
Special Revenue	<u>318,600</u>	<u>272,625</u>	<u>45,975</u>
Total	<u>\$364,566</u>	<u>\$312,888</u>	<u>\$51,678</u>

Note 5 – Deposits and Investments

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments as of December 31, 2018 was as follows:

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Cash and Investments (Continued)

	<u>2018</u>
Demand Deposits	\$149,861
Certificates of deposit	<u>46,142</u>
Total Deposits and Investments	<u>\$196,003</u>

Deposits are insured by the Federal Depository Insurance Corporation.

Note 6 - Property Taxes

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

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 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 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2018.

Note 9 - Risk Management

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

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

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Risk Management (Continued)

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2018, 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, 2018:

Assets	\$33,097,416
Liabilities	<u>7,874,610</u>
Net Position	<u><u>\$25,222,806</u></u>

At December 31, 2018, the liabilities above include approximately \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 1,018 member governments in the future, as of December 31, 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

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

2018 Contributions
to OTARMA

\$10,024

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Scipio Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 - Debt

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

	<u>Principal</u>	<u>Interest Rate</u>
Dump Truck Loan – Farmers Bank	\$18,609	4.50%

The Township obtained a loan through Farmers Bank and Savings Company on September 26, 2018 in the amount of \$20,225 to purchase a grader in the amount of \$20,000. This loan will be repaid in quarterly installments of \$1,812.74 for a term of three years with a fixed interest rate of 4.50% per annum. The dump truck collateralized the loan.

Amortization

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

Year Ending December 31:	Dump Truck Loan
2019	\$7,251
2020	7,251
2021	<u>5,438</u>
Total	\$19,940

Note 11 – Subsequent Event

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 ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact of the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 - Restatement of Fund Cash Balances

The Township adjusted beginning balances as a result of reclassifying interest revenue from a prior year. That restatement had the follow effect on balances as previously reported.

	General Fund	Special Revenue Funds
Fund Cash Balances, January 1, 2018	\$35,978	\$110,669
Restatements	(660)	660
Restated Fund Cash Balances, January 1, 2018	\$35,318	\$111,329

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Scipio Township, Meigs County (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 May 22, 2020, 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 the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 to be material weaknesses.

Scipio Township
Meigs County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-005 to be a significant deficiency.

Compliance and Other Matters

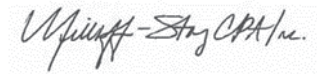
As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-003 and 2019-004.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 22, 2020

Scipio Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

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

Finding Number 2019-001

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township’s financial statements. The Township misclassified homestead and rollback receipts as property tax receipts in 2018 and 2019, and misclassified fund reimbursements for FEMA expenditures as intergovernmental receipts in 2018. These items were corrected in the accompanying financial statements. Also, a 2018 beginning balance adjustment was required to correctly present the financials after a client posted adjustment in 2019. Additionally, certain fund balances were not properly classified and corrections were required to properly present note disclosures for both years. These errors were also corrected in the accompanying financial statements.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential errors and misclassifications in the financial statements and to ensure proper presentation of note disclosures.

Township Response:

The Township will review financial statements and footnotes to ensure proper documentation.

Finding Number 2019-002

Material Weakness – Budgetary Information Within Accounting System

Accurate budgetary information within the Township’s accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Instances were identified in both years of the audit period where budgetary allocations recorded within UAN were not in agreement with the Board-approved documents. In addition, accurate beginning cash balances were not properly reflected in certificates of estimated resources. Lastly, the Township received federal funds that are “deemed appropriated” by Ohio Revised Code Section 5705.42. However, these appropriations were not filed with the County or updated in the Township’s accounting system.

The Township should review budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information within the accounting system is in agreement with formal approved documents. The Township should also ensure that amended certificates of estimated resources are filed when changes to beginning balances, such as posting of audit adjustments or error corrections, occur. Lastly, we recommend that “deemed appropriated” items are accounted for within the Township’s accounting system and that budgetary information filed with the County is amended accordingly.

Township Response:

Fiscal Officer will provide Trustees with budgetary allocations and make sure the minutes reflect the documents.

Scipio Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-003

Noncompliance Citation – Ohio Revised Code Section 5705.36(A)(2)

Ohio Revised Code Section 5705.36(A)(2) allows subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

The Township had appropriations in excess of available resources in the General, Motor Vehicle, Gas Tax, Road and Bridge, and Road Maintenance Funds at December 31, 2019. The condition put the Township at risk of overspending without sufficient available funds. The Township should implement additional monitoring procedures to ensure the appropriations are within available resources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

Township Response:

The Township chose not to respond.

Finding Number 2019-004

Noncompliance Citation – Ohio Revised Code Section 133

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

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

Ohio Revised Code Section 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 Revised Code Section 133.15 states that a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

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

During 2018, the Township issued a promissory note to purchase two Sterling dump trucks and made principal payments on the promissory note in the amount of \$1,616 and \$6,488, for 2018 and 2019, respectively. This type of debt is not authorized in Ohio Revised Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township has no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Township Response:

The Township chose not to respond.

Scipio Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-005

Significant Deficiency – Development Fund

Internal controls are pertinent to ensuring the Township is expending funds for proper public purpose and in accordance with applicable requirements.

In prior years, the Township has carried a large cash balance in its Development Fund. This fund is related to a grant program established several decades ago. In 2019, the Township issued a loan to an individual for a property purchase. Mortgage documents were prepared, but there was no documentation that could be provided where eligibility was determined and approval documented. Upon further inquiry, Township management was unable to provide documentation that showed the original funding source of the grant program or the parameters established in the grant agreement. As such, we could not confirm whether the loan was issued in accordance with the grant program. We could however, per review of prior year workpapers, see that loans had been issued in years past and the loans appear to have been made for similar purposes.

The Township should investigate the origin of this grant program, obtain documentation outlining allowable uses, and review current loans in place to individuals to ensure loans are allowable under the program's guidelines. Based on inquiries with past officials, county officials, and attorneys involved with the issuance of mortgage documentation, the Township may be able to identify the program's origin and compile a file of documentation for future use of program funds.

Township Response:

The Township chose not to respond.

Scipio Township
Meigs County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2019 and 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2017-001	Noncompliance Citation – Ohio Revised Code Section 133	No	Reissued as Finding 2019-004
Finding 2017-002	Noncompliance Citation – Ohio Revised Code Section 5705.41B	Yes	
Finding 2017-003	Noncompliance Citation – Ohio Revised Code Section 5705.41(D)	Yes	
Finding 2017-004	Noncompliance/Material Weakness – Ohio Admin. Code Section 117-2-02	Yes	
Finding 2017-005	Material Weakness – Financial Reporting	No	Reissued as Finding 2019-001
Finding 2017-006	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Finding 2019-002
Finding 2017-007	Material Weakness – Review and Approval of Monthly Financial Reports	Yes	
Finding 2017-008	Significant Deficiency – Review and Approval of Monthly Bank Reconciliations	Yes	

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



SCIPIO TOWNSHIP

MEIGS 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 8/25/2020

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