

**VILLAGE OF SCIO
HARRISON COUNTY**

AUDIT REPORT

JANUARY 1, 2013 - DECEMBER 31, 2014



Dave Yost • Auditor of State

Village Council
Village of Scio
306 East Main Street
Scio, Ohio 43988

We have reviewed the *Independent Auditor's Report* of the Village of Scio, Harrison County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2013 through December 31, 2014. 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. The Village of Scio is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 9, 2015

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**VILLAGE OF SCIO
HARRISON COUNTY
JANUARY 1, 2013 - DECEMBER 31, 2014**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Scio
Harrison County
306 East Main Street
Scio, Ohio 43988

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Scio, Harrison County, as of and for the years ended December 31, 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 Village'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 Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village 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, 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 Village 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 permitted 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 Village of Scio, Harrison County as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Scio, Harrison County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2015, on our consideration of the Village of Scio'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 Village's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 23, 2015

**VILLAGE OF SCIO
HARRISON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Tax and Other Local Taxes	\$ 39,358	\$ 8,532	\$ 47,890
Municipal Income Tax	24,666	68,146	92,812
Intergovernmental Receipts	24,230	35,927	60,157
Charges for Services	-	100	100
Fines, Licenses, and Permits	234,888	-	234,888
Earnings on Investments	216	-	216
Miscellaneous	28,510	7,221	35,731
	<u>351,868</u>	<u>119,926</u>	<u>471,794</u>
Total Cash Receipts			
Cash Disbursements			
Current:			
Security of Persons and Property	26,149	16,951	43,100
Public Health Services	469	-	469
Leasure Time Activities	-	11,868	11,868
Transportation	-	32,662	32,662
General Government	143,040	9,847	152,887
Capital Outlay	-	76,647	76,647
	<u>169,658</u>	<u>147,975</u>	<u>317,633</u>
Total Cash Disbursements			
Excess of Receipts Over (Under) Disbursements	182,210	(28,049)	154,161
Other Financing Receipts/(Disbursements)			
Other Financing Sources	-	11,380	11,380
Other Financing Uses	(20,222)	(386)	(20,608)
Total Other Financing Receipts/(Disbursements)	(20,222)	10,994	(9,228)
Net Change in Fund Cash Balances	161,988	(17,055)	144,933
Fund Cash Balances, January 1, 2014	<u>245,544</u>	<u>197,258</u>	<u>442,802</u>
Fund Cash Balances, December 31, 2014			
Restricted	-	180,203	180,203
Unassigned (Deficit)	407,532	-	407,532
Fund Cash Balances, December 31, 2014	<u>\$ 407,532</u>	<u>\$ 180,203</u>	<u>\$ 587,735</u>

See notes to financial statements.

**VILLAGE OF SCIO
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 283,202
Miscellaneous	2,750
	<u>285,952</u>
Operating Cash Disbursements:	
Personal Services	47,604
Contractual Services	122,692
Supplies and Materials	85,126
	<u>255,422</u>
Total Operating Cash Disbursements	<u>255,422</u>
Operating Income/(Loss)	<u>30,530</u>
Non-Operating Cash Receipts (Disbursements):	
Redemption of Principal	(16,263)
Interest and Other Fiscal Charges	(2,958)
Other Financing Sources	303
Other Financing Uses	(765)
	<u>(19,683)</u>
Total Non-Operating Cash Receipts (Disbursements)	<u>(19,683)</u>
Net Receipts Over/(Under) Disbursements	10,847
Fund Cash Balances, January 1	<u>234,746</u>
Fund Cash Balances, December 31	<u>\$ 245,593</u>

See notes to financial statements.

**VILLAGE OF SCIO
HARRISON COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property Tax and Other Local Taxes	\$ 42,327	\$ 9,114	\$ 51,441
Municipal Income Tax	17,468	51,839	69,307
Intergovernmental Receipts	23,755	34,866	58,621
Charges for Services	-	40	40
Fines, Licenses, and Permits	118,528	-	118,528
Earnings on Investments	228	63	291
Miscellaneous	17,844	3,906	21,750
Total Cash Receipts	<u>220,150</u>	<u>99,828</u>	<u>319,978</u>
Cash Disbursements			
Current:			
Security of Persons and Property	25,754	17,193	42,947
Public Health Services	545	-	545
Leasure Time Activities	-	3,427	3,427
Transportation	-	39,523	39,523
General Government	105,635	8,097	113,732
Total Cash Disbursements	<u>131,934</u>	<u>68,240</u>	<u>200,174</u>
Excess of Receipts Over (Under) Disbursements	88,216	31,588	119,804
Other Financing Receipts/(Disbursements)			
Transfers-In	-	3,200	3,200
Transfers-Out	(3,200)	-	(3,200)
Other Financing Sources	-	8,434	8,434
Other Financing Uses	(17,552)	(465)	(18,017)
Total Other Financing Receipts/(Disbursements)	<u>(20,752)</u>	<u>11,169</u>	<u>(9,583)</u>
Net Change in Fund Cash Balance	67,464	42,757	110,221
Fund Cash Balances, January 1, 2013	<u>178,080</u>	<u>154,501</u>	<u>332,581</u>
Fund Cash Balances, December 31, 2013			
Restricted	-	197,258	197,258
Unassigned (Deficit)	245,544	-	245,544
Fund Cash Balances, December 31, 2013	<u>\$ 245,544</u>	<u>\$ 197,258</u>	<u>\$ 442,802</u>

See notes to financial statements.

**VILLAGE OF SCIO
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary
	Enterprise Fund
Operating Cash Receipts:	
Charges for Services	\$ 299,652
Miscellaneous	2,758
	302,410
Operating Cash Disbursements:	
Personal Services	42,423
Contractual Services	100,541
Supplies and Materials	78,215
	221,179
Operating Income/(Loss)	81,231
Non-Operating Cash Receipts (Disbursements):	
Intergovernmental Receipts	1,026
Redemption of Principal	(15,981)
Interest and Other Fiscal Charges	(3,240)
Other Financing Sources	700
	(17,495)
Net Receipts Over/(Under) Disbursements	63,736
Fund Cash Balances, January 1	171,010
Fund Cash Balances, December 31	\$ 234,746

See notes to financial statements.

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 Village of Scio, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, including water and sewer utilities. The Village contracts with the Scio Volunteer Fire Department to provide fire protection services. The Village also contracts with the Harrison County Sheriff's Department to provide police protection within the Village.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible

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

B. Basis of Accounting

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 basis 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. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchase or receipts for investment sales. This basis records gain or losses at the time of sale as receipts or disbursements.

The Village values certificates of deposit at cost.

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

Governmental Funds

General Fund

The General fund is the operating fund. It is used to accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds.

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund – This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency Funds) 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 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 Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable – The Village 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 – Council can *commit* via formal action (resolution). The Village must adhere to these commitments unless council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned – Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than 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 Village Council or a Village official delegated that authority by ordinance, or by State Statute.

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

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (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

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2014	2013
Demand Deposits	\$ 765,112	\$ 609,547
Certificates of Deposits	68,216	68,001
Total deposits and investments	<u>\$ 833,328</u>	<u>\$ 677,548</u>

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2014 and 2013 is as follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 166,512	\$ 351,868	\$ 185,356
Special Revenue	96,547	131,306	34,759
Enterprise	211,035	286,255	75,220
Total	<u>\$ 474,094</u>	<u>\$ 769,429</u>	<u>\$ 295,335</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 353,155	\$ 189,880	\$ 163,275
Special Revenue	244,293	148,361	95,932
Enterprise	433,156	275,408	157,748
Total	<u>\$ 1,030,604</u>	<u>\$ 613,649</u>	<u>\$ 416,955</u>

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 222,472	\$ 220,510	\$ (1,962)
Special Revenue	99,093	111,462	12,369
Enterprise	281,548	304,136	22,588
Total	<u>\$ 603,113</u>	<u>\$ 636,108</u>	<u>\$ 32,995</u>

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

3. BUDGETARY ACTIVITY

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 283,302	\$ 152,686	\$ 130,616
Special Revenue	250,629	68,705	181,924
Enterprise	445,565	240,400	205,165
Total	\$ 979,496	\$ 461,791	\$ 517,705

Contrary to ORC 5705.41(D), the Village had fiscal certificates dated after invoice date.

Contrary to ORC 5705.39, the Police Levy Fund had appropriations greater than estimated resources by \$1,391 in 2013.

4. PROPERTY TAX

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

5. INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment. Residency, or business activities within the Village as well as a certain income of residents earned outside the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individuals pay estimated taxes quarterly and file a declaration annually.

The Village's income tax ordinances allocates twenty-five percent of income tax collections to the General Fund and the remaining seventy-five percent to the Income Tax Permanent Improvement Fund.

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	2014 Principal	%
OWDA #2107 Water Main Construction	\$ 26,699	6.32
OWDA #3882 W. Main St. Waterline	50,165	2.00
OWDA #5022 Filter System	151,930	0.00
OPWC Wastewater System Improvements	8,681	0.00
Total	\$ 237,475	

The Ohio Water Development Authority (OWDA) loan #2107 relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semi-annual installments. The loan was issued on January 13, 1997 for \$60,000 and is due on January 1, 2022. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #3882 relates to the West Main Street Waterline Replacement Project. The loan was issued in 2003 in the amount of \$105,822 plus capitalized interest of 20.92 percent, a total of \$105,843. The loan is for 20 years at a two percent interest rate. The loan will be repaid in semi-annual installments. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #5022 relates to a new filter system for the water treatment plant. This loan was approved and issued in 2009 in the amount of \$191,977. The loan is for 30 years at a zero interest rate. The loan will be repaid in semi-annual installments. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to various improvement projects by the water and sewer departments. The loan was issued on November 1, 1999 for \$34,724 and is due on July 1, 2019. The Village will repay the loan in semiannual payments. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

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

Year	OPWC	OWDA
2015	\$ 1,736	\$ 17,486
2016	1,736	17,486
2017	1,736	17,486
2018	1,736	17,486
2019	1,737	17,486
2020-2024	-	57,044
2025-2029	-	31,006
2030-2034	-	31,006
2035-2039	-	31,006
2040-2044	-	3,101
Total	\$ 8,681	\$ 240,593

**VILLAGE OF SCIO
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 and 2013**

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees and elected officials belong to the Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10.0% from January 1, 2013 to June 30, 2013, they contributed 10.75% from July 1, 2013 through June 30, 2014 and contributed 11.5% from July 1, 2014 through December 31, 2014. For 2014 and 2013, the Township contributed to OP&F and amount equal to 19.5% of full-time police members wages. For 2014 and 2013, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2014.

8. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2014, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pools financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2013 and 2014 the latest information available.

	2014	2013
Assets	\$ 833,561	\$ 1,030,198
Liabilities	(782,525)	(882,203)
Accumulated Surplus	\$ 51,036	\$ 147,995

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Village of Scio
Harrison County
306 East Main Street
Scio, Ohio 43988

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Scio, Harrison County as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 23, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Scio's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village'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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village'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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Scio'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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-01.

Entity's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

We noted certain matters not requiring inclusion in this report that we have reported to the management of Village of Scio in a separate letter dated June 23, 2015.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
June 23, 2015

**VILLAGE OF SCIO
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01

Noncompliance – Certification of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the Clerk/Treasurer is attached thereto. The Clerk/Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a Clerk/Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- If the Clerk/Treasurer can certify that both at the time that the contract or order was made ("then") and at the time that the Clerk/Treasurer 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution "Then and Now" Certificates. Amounts less than \$3,000 may be paid by the Clerk/Treasurer 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 the expenditures by the Village.
- Blanket Certificates. Clerk/Treasurers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Clerk/Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF SCIO
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-01 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 42% of expenditures tested. For these items the Village also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We agree with finding.

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Dave Yost • Auditor of State

VILLAGE OF SCIO

HARRISON 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
SEPTEMBER 22, 2015