



**Auditor of State
Betty Montgomery**

SCIPIO TOWNSHIP
SENECA COUNTY

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**Auditor of State
Betty Montgomery**

Scipio Township
Seneca County
306 West Jefferson Street
P. O. Box 249
Republic, Ohio 44867-0249

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 1, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Scipio Township
Seneca County
306 West Jefferson Street
P. O. Box 249
Republic, Ohio 44867-0249

To the Board of Trustees:

We have audited the accompanying financial statements of Scipio Township, Seneca County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Scipio Township, Seneca County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 1, 2005

**SCIPPIO TOWNSHIP
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Fiduciary Funds	
Cash Receipts:					
Local Taxes	\$29,061	\$147,241			\$176,302
Intergovernmental	49,327	146,325	\$19,667		215,319
Licenses, Permits, and Fees		3,430			3,430
Earnings on Investments	1,004	310		\$9	1,323
Other Revenue	3,344	4,847			8,191
	<u>82,736</u>	<u>302,153</u>	<u>19,667</u>	<u>9</u>	<u>404,565</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	72,216				72,216
Public Safety		38,605			38,605
Public Works		153,543			153,543
Health	58	4,375			4,433
Debt Service:					
Redemption of Principal		30,863			30,863
Interest and Fiscal Charges		571			571
Capital Outlay		50,265	19,667		69,932
	<u>72,274</u>	<u>278,222</u>	<u>19,667</u>		<u>370,163</u>
Total Cash Disbursements					
Total Receipts Over Disbursements	10,462	23,931		9	34,402
Fund Cash Balances, January 1	896	59,413		1,921	62,230
Fund Cash Balances, December 31	<u><u>\$11,358</u></u>	<u><u>\$83,344</u></u>		<u><u>\$1,930</u></u>	<u><u>\$96,632</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SCIPPIO TOWNSHIP
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
Cash Receipts:					
Local Taxes	\$26,615	\$133,288			\$159,903
Intergovernmental	50,262	85,290	\$18,448		154,000
Licenses, Permits, and Fees		2,466			2,466
Earnings on Investments	632	207		\$42	881
Other Revenue	5,555	10,744			16,299
Total Cash Receipts	<u>83,064</u>	<u>231,995</u>	<u>18,448</u>	<u>42</u>	<u>333,549</u>
Cash Disbursements:					
Current:					
General Government	75,244				75,244
Public Safety		33,611			33,611
Public Works		113,839			113,839
Health	8,358	1,464			9,822
Debt Service:					
Redemption of Principal		13,593			13,593
Interest and Fiscal Charges		4,885			4,885
Capital Outlay		34,745	18,448		53,193
Total Cash Disbursements	<u>83,602</u>	<u>202,137</u>	<u>18,448</u>		<u>304,187</u>
Total Receipts Over/ (Under) Disbursements	(538)	29,858		42	29,362
Fund Cash Balances, January 1	<u>1,434</u>	<u>29,555</u>		<u>1,879</u>	<u>32,868</u>
Fund Cash Balances, December 31	<u><u>\$896</u></u>	<u><u>\$59,413</u></u>		<u><u>\$1,921</u></u>	<u><u>\$62,230</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Scipio Township, Seneca County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection.

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

B. Basis of Accounting

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

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

C. Cash

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Fire District Fund – This fund receives property tax money for operating the fire department.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

Issue II Fund - The Township received a grant from the State of Ohio to repair Township roads.

4. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Expendable Trust Fund – This fund is for the maintenance of the cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$95,532	\$61,130
Certificates of deposit	1,100	1,100
Total deposits	\$96,632	\$62,230

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,986	\$82,736	(\$3,250)
Special Revenue	274,551	302,153	27,602
Capital Projects	19,667	19,667	0
Fiduciary	32	9	(23)
Total	\$380,236	\$404,565	\$24,329

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$86,081	\$72,274	\$13,807
Special Revenue	333,664	278,222	55,442
Capital Projects	19,667	19,667	0
Fiduciary	1,954	1,954	1,954
Total	\$441,366	\$370,163	\$71,203

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,490	\$83,064	(\$1,426)
Special Revenue	223,334	231,995	8,661
Capital Projects	18,448	18,448	0
Fiduciary	1,906	42	(1,864)
Total	<u>\$328,178</u>	<u>\$333,549</u>	<u>\$5,371</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,329	\$83,602	\$7,727
Special Revenue	246,383	202,137	44,246
Capital Projects	18,448	18,448	0
Fiduciary			0
Total	<u>\$356,160</u>	<u>\$304,187</u>	<u>\$51,973</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire District fund by \$7,067 for the year ended December 31, 2004. The Gas Tax, Road and Bridge, Motor Vehicle License, and Fire District Funds exceeded appropriations in amounts ranging from \$1,050 to \$18,587 at various times through out 2003. Also contrary to Ohio law, the fiscal officer's certification was not made prior to incurring the commitment for fifty-two percent of the items tested.

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$12,171	0%
Fire Truck Note	75,000	4.9%
Total	\$87,171	

The Fire Truck note was issued to finance the purchase of a new fire truck to be used for fire protections for the Township. The notes are collateralized solely by the Township's taxing authority.

The Ohio Public Works Commission loan is for the reconstruction of Township Road 106.

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

Year ending December 31:	Fire Truck Note	Ohio Public Works Commission
2005	\$41,125	\$3,478
2006	39,282	3,478
2007		3,478
2008		1,739
Total	\$80,407	\$12,173

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	2003	2002
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained Earnings	\$16,000,923	\$14,559,524
<u>Property Coverage</u>	2003	2002
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained Earnings	\$6,040,104	\$5,392,670

The Township also provides health insurance through Teachers Protective Mutual Life Insurance Company.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. SUBSEQUENT EVENTS

In 2005, the Township was approved for four bank notes totaling \$52,000. These notes are for the purchase of a tractor and a mower. Payments of \$13,000 plus 3.75 percent interest are due annually starting in 2006 and ending in 2009.

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**Auditor of State
Betty Montgomery**

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

Scipio Township
Seneca County
306 West Jefferson Street
P. O. Box 249
Republic, Ohio 44867-0249

To the Board of Trustees:

We have audited the financial statements of Scipio Township (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated July 1, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated July 1, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. In a separate letter to the Township's management dated July 1, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 1, 2005

SCIPIO TOWNSHIP
SENECA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

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

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

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Fifty-three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2004-001
 (Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Township funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend all Township disbursements receive prior certification of the Clerk and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Clerk, and recorded against appropriations

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Township had expenditures exceeding appropriations at various times through out 2003 in the following Fund, Function, and Object Code:

<u>Date</u>	<u>Fund/Function</u>	<u>Object Code</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Variance</u>
Apr-03	Gas Tax/ Public Works	Fringe Benefits	\$5,286	\$2,100	\$3,186
Jun-03	Road & Bridge/ Public Works	Salaries	7,460	6,000	1,460
Jul-03	Motor Vehicle/ Public Works	Salaries	1,881		1,881
Jul-03	Gas Tax/ Public Works	Salaries	18,587		18,587
Jul-03	Road & Bridge/ Public Works	Salaries	1,881		1,881
Sep-03	General Fund/ General Government	Fringe Benefits	6,047	4,500	1,547
Nov-03	Fire District/Public Safety	Other	4,050	3,000	1,050
Nov-03	Fire District/Public Safety	Capital Outlay	34,745	23,287	11,459

There were several other objects within the General, Road and Bridge and Fire District Funds where expenditures exceeded appropriations in relatively smaller amounts ranging from \$9 to \$653. As of December 31, 2004, the Fire District Fund had expenditures (\$88,008) exceeding appropriations (\$80,941) by a variance of \$7,067.

Management was advised that the failure to have appropriations in place at the time expenditures are being made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The clerk should not certify the availability of funds and should deny payment requests exceeding appropriations. The clerk may request the Board approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC § 5705.41 (B) Expenditures exceeded appropriations	No	Not corrected. Reported as finding number 2004-002
2002-002	ORC § 5705.40 appropriations approved by the Board	No	Partially corrected. Reported in management letter
2002-	ORC § 5705.41 (D)	No	Not corrected. Reported as finding number 2004-001



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SCIPIO TOWNSHIP

SENECA 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
AUGUST 4, 2005**