

Village of Scio
Audited Financial Statements
December 31, 2008 and 2007



Mary Taylor, CPA

Auditor of State

Village Council
Village of Scio
306 E. Main St.
P.O. Box 306
Scio, Ohio 43988

We have reviewed the *Independent Auditor's Report* of the Village of Scio, Harrison County, prepared by Rea & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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.

Finding Repaid While Under Audit

The Village changed payroll for Patricia Copeland, Village Clerk, and Linda Long, Village Treasurer, from a monthly payment to twice a month in 2007 and did not double check their pay set up for 2008. As a result, an error occurred in calculating their 2007 and 2008 pay resulting in both of them being over paid as follows:

	<u>2007</u>	<u>2008</u>	<u>Total</u>
Patricia Copeland	\$323.44	\$328.24	\$651.68
Linda Long	281.40	281.40	562.80

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Patricia Copeland, Village Clerk, in the amount of \$651.68, and Linda Long, Village Treasurer, in the amount of \$562.80 in favor of the Village of Scio, General Fund.

Patricia Copeland, Village Clerk, and Linda Long, Village Treasurer, both repaid the overpayments immediately upon notification of their overpayments.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 12, 2009

**VILLAGE OF SCIO
HARRISON COUNTY**

DECEMBER 31, 2008 AND 2007

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

122 4th St. NW | PO Box 1020
New Philadelphia, OH 44663-5120

May 15, 2009

Mayor and Members of Council
Village of Scio
Scio, OH 43988

Independent Auditor's Report

We have audited the accompanying financial statements of the Village of Scio, Harrison County (the "Village") as of and for the years ended December 31, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Village'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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Scio, Harrison County, as of December 31, 2008 and 2007 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Village 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 May 15, 2009, on our consideration of the Village'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* and should be considered in assessing the results of our audit.

Hea & Associates, Inc.

VILLAGE OF SCIO
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property Tax and Other Local Taxes	\$ 34,847	\$ 5,854	\$ 0	\$ 40,701
Municipal Income Tax	14,458	0	43,163	57,621
Intergovernmental	24,497	37,579	0	62,076
Charges For Services	0	260	0	260
Fines, Licenses and Permits	630	0	0	630
Interest	3,892	474	0	4,366
Miscellaneous	3,363	3,221	0	6,584
Total Cash Receipts	81,687	47,388	43,163	172,238
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	13,647	843	0	14,490
Public Health Services	588	0	0	588
Leisure Time Activities	0	5,224	0	5,224
Transportation	0	42,509	0	42,509
General Government	58,327	280	5,187	63,794
Capital Outlay	0	0	20,958	20,958
Total Cash Disbursements	72,562	48,856	26,145	147,563
Total Cash Receipts Over (Under) Cash Disbursements	9,125	(1,468)	17,018	24,675
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Other Financing Uses	(347)	0	(1,012)	(1,359)
Transfers - In	0	3,000	0	3,000
Transfers - Out	(3,000)	0	0	(3,000)
Total Other Financing Receipts (Disbursements)	(3,347)	3,000	(1,012)	(1,359)
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	5,778	1,532	16,006	23,316
FUND CASH BALANCES, January 1, 2008	90,360	36,251	103,572	230,183
FUND CASH BALANCES, December 31, 2008	\$ 96,138	\$ 37,783	\$ 119,578	\$ 253,499

The accompanying notes are an integral part of these 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, 2008

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 178,655
Other Operating Receipts	685
Total Operating Cash Receipts	179,340
OPERATING CASH DISBURSEMENTS:	
Personal Services	38,084
Contractual Services	36,477
Material and Supplies	52,127
Total Operating Cash Disbursements	126,688
Operating Income	52,652
NON-OPERATING CASH RECEIPTS:	
Other Non-Operating Receipts	450
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service:	
Principal Retirement	8,547
Interest and Fiscal Charges	4,474
Other Non-Operating Disbursements	100
Total Non-Operating Cash Disbursements	13,121
Net Cash Receipts Over Cash Disbursements	39,981
FUND CASH BALANCES, January 1, 2008	107,008
FUND CASH BALANCES, December 31, 2008	\$ 146,989

The accompanying notes are an integral part of these financial statements.

VILLAGE OF SCIO
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Special Revenue	Capital Projects	(Memorandum Only) Total
CASH RECEIPTS:				
Property Tax and Other Local Taxes	\$ 37,416	\$ 6,404	\$ 0	\$ 43,820
Municipal Income Tax	14,510	0	43,531	58,041
Intergovernmental	26,741	39,713	0	66,454
Charges For Services	0	180	0	180
Fines, Licenses and Permits	1,630	0	0	1,630
Interest	4,024	0	0	4,024
Miscellaneous	4,428	3,005	0	7,433
Total Cash Receipts	88,749	49,302	43,531	181,582
CASH DISBURSEMENTS:				
Current:				
Security of Persons and Property	16,998	569	0	17,567
Public Health Services	577	0	0	577
Leisure Time Activities	0	3,621	0	3,621
Transportation	0	42,544	0	42,544
General Government	72,613	2,953	6,223	81,789
Capital Outlay	0	0	11,280	11,280
Total Cash Disbursements	90,188	49,687	17,503	157,378
Total Cash Receipts Over (Under) Cash Disbursements	(1,439)	(385)	26,028	24,204
OTHER FINANCING RECEIPTS (DISBURSEMENTS):				
Other Financing Uses	(123)	0	(50)	(173)
Total Other Financing Receipts (Disbursements)	(123)	0	(50)	(173)
Total Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(1,562)	(385)	25,978	24,031
FUND CASH BALANCES, January 1, 2007	91,922	36,636	77,594	206,152
FUND CASH BALANCES, December 31, 2007	\$ 90,360	\$ 36,251	\$ 103,572	\$ 230,183

The accompanying notes are an integral part of these 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, 2007

	Proprietary
	Enterprise Funds
OPERATING CASH RECEIPTS:	
Charges for Services	\$ 169,576
Other Operating Receipts	2,476
Total Operating Cash Receipts	172,052
OPERATING CASH DISBURSEMENTS:	
Personal Services	42,830
Contractual Services	41,246
Material and Supplies	60,280
Total Operating Cash Disbursements	144,356
Operating Income	27,696
NON-OPERATING CASH RECEIPTS:	
Intergovernmental Receipts	342
Other Non-Operating Receipts	500
Total Non-Operating Cash Receipts	842
NON-OPERATING CASH DISBURSEMENTS:	
Debt Service:	
Principal Retirement	8,331
Interest and Fiscal Charges	4,689
Other Non-Operating Disbursements	100
Total Non-Operating Disbursements	13,120
Net Cash Receipts Over Cash Disbursements	15,418
FUND CASH BALANCES, January 1, 2007	91,590
FUND CASH BALANCES, December 31, 2007	\$ 107,008

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF SCIO, OHIO
HARRISON COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007**

NOTE 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, street repair and maintenance, and park operations. The Village contracts with the Scio Volunteer Fire Department to provide fire protection services. The Village also contracts with the Harrison County Sheriff's Office to provide police protection within the Village.

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 the Audit of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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. Deposits and Investments

The Village'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.

The Village values certificates of deposit at cost.

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:

1. General Fund

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

**VILLAGE OF SCIO, OHIO
HARRISON COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

Street Construction, Maintenance and Repair Fund – This fund receives gas tax and motor vehicle tax money for construction, maintaining and repairing Village streets.

3. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital Project Fund:

Income Tax Permanent Improvement Fund – This fund receives income tax receipts for major capital projects.

4. Enterprise Funds

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

Water Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Operating Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

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, department, or division level of control, and within each, personal services, and appropriations may not exceed estimated resources. 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.

**VILLAGE OF SCIO, OHIO
HARRISON COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

The Village 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. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

NOTE 2: EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2008</u>	<u>2007</u>
Demand deposits	\$ 338,435	\$ 278,052
Certificates of deposit	<u>62,053</u>	<u>59,139</u>
Total deposits	<u>\$ 400,488</u>	<u>\$ 337,191</u>

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

VILLAGE OF SCIO, OHIO
HARRISON COUNTY

Notes to the Financial Statements
December 31, 2008 and 2007

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts

<u>Fund Type</u>	Budgeted Receipts	Actual Receipts	Variance
General	\$ 88,443	\$ 81,687	\$ (6,756)
Special Revenue	47,623	50,388	2,765
Capital Projects	42,612	43,163	551
Enterprise	177,738	179,790	2,052
Total	<u>\$ 356,416</u>	<u>\$ 355,028</u>	<u>\$ (1,388)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 178,805	\$ 75,909	\$ 102,896
Special Revenue	81,788	48,856	32,932
Capital Projects	143,427	27,157	116,270
Enterprise	284,746	139,809	144,937
Total	<u>\$ 688,766</u>	<u>\$ 291,731</u>	<u>\$ 397,035</u>

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	Budgeted Receipts	Actual Receipts	Variance
General	\$ 66,381	\$ 88,749	\$ 22,368
Special Revenue	43,496	49,302	5,806
Capital Projects	49,536	43,531	(6,005)
Enterprise	170,000	172,894	2,894
Total	<u>\$ 329,413</u>	<u>\$ 354,476</u>	<u>\$ 25,063</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 177,501	\$ 90,311	\$ 87,190
Special Revenue	84,280	49,687	34,593
Capital Projects	105,667	17,553	88,114
Enterprise	256,539	157,476	99,063
Total	<u>\$ 623,987</u>	<u>\$ 315,027</u>	<u>\$ 308,960</u>

**VILLAGE OF SCIO, OHIO
HARRISON COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007**

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the financial statements as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to make semi-annual payments, 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 Village.

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 Village.

NOTE 5: LOCAL 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 of 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 individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The Village's income tax ordinance 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.

NOTE 6: DEBT

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works	\$ 18,230	0.00%
Ohio Water Development Authority Loan #3882	80,800	2.00%
Ohio Water Development Authority Loan #2107	<u>42,034</u>	6.32%
Total	<u><u>\$ 141,064</u></u>	

**VILLAGE OF SCIO, OHIO
HARRISON COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007**

NOTE 6: DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan #CN32A was used by the water and sewer department for various improvement projects. The loan was issued on November 1, 1999 for \$34,724 and is due on July 1, 2019. The loan will be repaid in semi-annual installments of \$868. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover the debt requirements.

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semi-annual installments. OWDA #2107 loan was issued on January 13, 1997 for \$60,000 and is due on January 1, 2022. The loans are collateralized by water and sewer receipts. 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 of \$3,224. The loan is collateralized by utility receipts and the full faith and credit of the Village.

In December 2008, the Village entered into a new agreement with the Ohio Water Development Authority (OWDA) for a zero interest loan for a new filter system for the water treatment plant. The loan was approved for an amount of \$191,977. As of December 31, 2008, the Village had not drawn down any of this loan.

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

<u>Year ending December 31</u>	<u>OPWC Loan</u>	<u>OWDA Loans</u>
2009	1,736	11,284
2010	1,736	11,284
2011	1,736	11,284
2012	1,736	11,284
2013	1,736	11,284
2014-2018	8,681	56,421
2019-2023	<u>868</u>	<u>43,523</u>
Totals	<u>\$ 18,229</u>	<u>\$ 156,364</u>

**VILLAGE OF SCIO, OHIO
HARRISON COUNTY**

**Notes to the Financial Statements
December 31, 2008 and 2007**

NOTE 7: RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Fund (OPFPF). Other full-time employees belong to the Ohio Public Employees' Retirement System (OPERS). OPFPF and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including post-retirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPFPF participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 10.0 and 9.5 percent of their wages respectively. The Village contributed an amount equal to 14 and 13.85 percent of participants' gross salaries respectively. The Village has paid all contributions required through December 31, 2008 to the Ohio Public Employees Retirement System (OPERS).

NOTE 8: RISK MANAGEMENT

Risk Pool Membership

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

The Pool cedes certain premiums to reinsurers to excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

Members may withdraw at the end of any coverage period upon 60 days' prior notice to the Pool. A withdrawing member not providing the required notification remains responsible for its unpaid claims, and also remains liable for additional assessments (if any) for years during which they were members.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$ 2,405,834	\$ 2,331,284
Liabilities	<u>(2,877,385)</u>	<u>(3,130,475)</u>
Accumulated Deficit	<u>\$ (471,551)</u>	<u>\$ (799,191)</u>



Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

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May 15, 2009

Mayor and Members of Council
Village of Scio
Scio, OH 43988

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

We have audited the financial statements of the Village of Scio (the "Village") as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 15, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its accounting basis, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. The significant deficiency is reported as finding 2008-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

We also noted several matters that we reported to the Village's management in a separate letter dated May 15, 2009.

Compliance and Other Matters

As part of obtaining reasonable assuring whether the Village'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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated May 15, 2009.

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

This report is intended solely for the information and use of the Village Council and management and is not intended to be and should not be used by anyone other than these specific parties.

Hea & Associates, Inc.

VILLAGE OF SCIO
HARRISON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2008 AND 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2008-001
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The Village changed payroll for the Clerk and the Treasurer from a monthly payment to twice a month in 2007 and did not double check their pay set up for 2008. As a result, an error occurred in calculating their 2008 pay resulting in both of them being over paid by immaterial amounts which went undetected by the Village. The Clerk and Treasurer both repaid the overpayments immediately upon notification of their over payments.

We recommend the Village implement a control requiring the Clerk and the Treasurer or Mayor review the pay set up for salaried Village officials at the beginning of each year to reduce the risk of incorrect payroll amounts to them.

Village's Response: The Village of Scio will implement a payroll control process where someone other than the person performing the payroll function will review the pay set up for salaried officials at the beginning of each year.

VILLAGE OF SCIO
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2006-001	Ohio Rev. Code Section 5705.41(D) – Disbursements were not properly certified.	No	Improvement noted in 2007-2008, however, there was a problem with then and now certifications not always being approved. This has been reported in the management letter.
2006-002	Ohio Rev. Code Section 5705.39 - Appropriations exceeded the total estimated revenue available for expenditures.	Yes	
2006-003	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeded appropriations.	No	This issue did occur during the audit period; however, the amounts were immaterial and the issue has been reported in the management letter.
2006-004	Ohio Rev. Code Section 5705.40 - Appropriations were not posted accurately to the Village’s computer system.	Yes	
2006-005	Ohio Rev. Code Section 733.28 – The Clerk failed to keep accurate records for the Village.	Yes	
2006-006	Village’s payroll function lacked internal controls, resulting in several errors in employee pays.	Yes	



Mary Taylor, CPA
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
JUNE 30, 2009