



**SCIPIO TOWNSHIP
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

SCIPIO TOWNSHIP
SENECA COUNTY

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Mary Taylor, CPA
Auditor of State

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 an 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 adverse 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 8, 2007

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Mary Taylor, CPA

Auditor of State

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, 2006 and 2005. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township 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, 2006 and 2005, 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, 2006 and 2005, 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 Scipio Township, Seneca County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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.

As described in note 2, in accordance with the requirements of *Governmental Accounting Standards* Board Statement Number 34, the Township's nonexpendable trust fund has been reclassified.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2007, 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.



Mary Taylor, CPA
Auditor of State

June 8, 2007

**SCIPIO TOWNSHIP
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$27,124	\$111,607		\$138,731
Intergovernmental	56,545	118,811	\$20,000	195,356
Licenses, Permits, and Fees	13	6,235		6,248
Earnings on Investments	870	378		1,248
Other Revenue	19,555	7,273		26,828
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	104,107	244,304	20,000	368,411
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	110,254			110,254
Public Safety		41,607		41,607
Public Works		160,254		160,254
Health		9,427		9,427
Debt Service:				
Redemption of Principal	1,739	16,081		17,820
Interest and Fiscal Charges		1,966		1,966
Capital Outlay		2,806	20,000	22,806
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	111,993	232,141	\$20,000	364,134
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(7,886)	12,163		4,277
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	18,384	65,576		83,960
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	\$10,498	\$77,739		\$88,237
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

SCIPIO TOWNSHIP
SENECA COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Fiduciary Fund Type</u>
	<u>Private Purpose Trust</u>
Non-Operating Cash Receipts:	
Earnings on investments	<u>\$41</u>
Total Non-Operating Cash Receipts	<u>41</u>
Fund Cash Balances, January 1	<u>1,947</u>
Fund Cash Balances, December 31	<u><u>\$1,988</u></u>

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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$28,375	\$154,684		\$183,059
Intergovernmental	48,000	109,204	\$55,280	212,484
Charges for Services		2,000		2,000
Licenses, Permits, and Fees	475	4,124		4,599
Earnings on Investments	910	433		1,343
Other Revenue	2,753	5,692		8,445
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	80,513	276,137	55,280	411,930
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
General Government	73,465			73,465
Public Safety		35,172		35,172
Public Works		163,851		163,851
Health	22	5,968		5,990
Debt Service:				
Redemption of Principal		79,092		79,092
Interest and Fiscal Charges		4,852		4,852
Capital Outlay		66,470	55,280	121,750
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	73,487	355,405	\$55,280	484,172
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	7,026	(79,268)		(72,242)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Notes		52,000		52,000
Sale of Capital Assets		9,500		9,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts		61,500		61,500
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	7,026	(17,768)		(10,742)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	11,358	83,344		94,702
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$18,384</u>	<u>\$65,576</u>		<u>\$83,960</u>

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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Fiduciary Fund Type
	Private Purpose Trust
Non-Operating Cash Receipts:	
Earnings on investments	\$17
Total Non-Operating Cash Receipts	17
Fund Cash Balances, January 1	1,930
Fund Cash Balances, December 31	\$1,947

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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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 private-purpose 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, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

Fire Truck Special Levy Fund - This fund receives property tax money for the purchase of a new fire truck through a special levy.

3. Capital Project Fund

This fund accounts 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 Fund

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township's private purpose trust 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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A summary of 2006 and 2005 budgetary activity appears in Note 4.

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. RECLASSIFICATION OF FUND BALANCE

Pursuant to the requirements of Governmental Accounting and Standards Boards Statement Number 34, the Township has reclassified its nonexpendable trust fund to a private purpose trust fund. The effect on fund balance is as follows:

	Nonexpendable Trust Fund	Private Purpose Trust Fund
Balance as previously reported at December 31, 2004	\$1,930	
Adjustment for fund reclassification	(1,930)	\$1,930
Adjusted balance at January 1, 2005	\$0	\$1,930

3. 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:

	2006	2005
Demand deposits	\$89,125	\$84,807
Certificates of deposit	1,100	1,100
Total deposits	\$90,225	\$85,907

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

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,875	\$104,107	\$21,232
Special Revenue	242,844	244,304	1,460
Capital Projects	20,000	20,000	
Trust	34	41	7
Total	\$345,753	\$368,452	\$22,699

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$100,457	\$111,993	(\$11,536)
Special Revenue	308,270	232,141	76,129
Capital Projects	20,000	20,000	
Trust	34	34	34
Total	\$428,761	\$364,134	\$64,627

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,289	\$80,513	(\$3,776)
Special Revenue	298,790	337,637	38,847
Capital Projects	25,601	55,280	29,679
Trust	33	17	(16)
Total	\$408,713	\$473,447	\$64,734

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,845	\$73,487	\$21,358
Special Revenue	329,834	355,405	(25,571)
Capital Projects		55,280	(55,280)
Trust	1,963	1,963	1,963
Total	\$426,642	\$484,172	(\$57,530)

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$11,536 and the Gasoline Tax Fund by \$231 for the year ended December 31, 2006 and in the Road and Bridge Fund by \$52,000 and the Issue II Fund by \$55,280 for the year end December 31, 2005.

5. PROPERTY TAX

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

6. DEBT

Debt outstanding at December 31, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tractor/Mower Note	\$39,000	3.75%
Ohio Public Works Commission -TR106	5,215	0%
Ohio Public Works Commission - TR181	8,724	0%
Total	<u>\$52,939</u>	

The Ohio Public Works Commission loans are for the reconstruction of Township Road 106 and paving of Township Road 181.

The Tractor/Mower notes were issued to finance the purchase of a new tractor/mower to be used for Township road and cemetery maintenance. The Township's taxing authority collateralized the notes.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

6. DEBT – (CONTINUED)

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

Year ending December 31:	Tractor/Mower Note	Ohio Public Works Commission TR106	Ohio Public Works Commission TR181
2007	\$14,475	\$3,478	\$1,342
2008	13,983	1,737	1,342
2009	13,492		1,342
2010			1,342
2011			1,342
2012 – 2016			2,014
Total	<u>\$41,950</u>	<u>\$5,215</u>	<u>\$8,724</u>

7. RETIREMENT SYSTEM

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. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

8. RISK MANAGEMENT

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. 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, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

8. RISK MANAGEMENT – (CONTINUED)

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	<u>(11,443,952)</u>	<u>(12,344,576)</u>
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	<u>(676,709)</u>	<u>(1,406,031)</u>
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$34,030. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA

2004	\$17,319
2005	\$15,920
2006	\$17,015

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



Mary Taylor, CPA

Auditor of State

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 Township Board of Trustees:

We have audited the financial statements of Scipio Township, Seneca County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 8, 2007, wherein we noted the Township 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 also noted 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. 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 also noted a reclassification of certain fund balances was made. 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 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 Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township'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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the item 2006-002 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. However, of the significant deficiency described above, we believe finding number 2006-002 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated June 8, 2007.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 8, 2007.

We intend this report solely for the information and use of the audit committee, management, and Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 8, 2007

SCIPIO TOWNSHIP
SENECA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B), states in part that no subdivision is to expend money unless it has been lawfully appropriated as provided in this chapter.

Our testing of budgetary compliance at December 31, 2005 and 2006 identified the following instances in which expenditures (cash disbursements plus encumbrances) exceeded appropriations:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Variance</u>
2006			
General Fund	\$100,457	\$111,993	(\$11,536)
Special Revenue Fund:			
Gasoline Tax Fund	\$78,439	\$78,670	(\$231)
2005			
Special Revenue Fund:			
Road and Bridge Fund	\$74,092	\$126,092	(\$52,000)
Capital Projects Fund:			
Public Works Issue II Fund		\$55,280	(\$55,280)

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

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

Officials' Response: The Fiscal Officer will correct this matter in the future.

FINDING NUMBER 2006-002

Material Weakness

Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required material adjustments. In 2005, OPWC funds received on-behalf-of grants were not posted as a memorandum receipt and disbursement to the Capital Projects Fund, Intergovernmental and Capital Outlay line items. (\$37,623 - 2005). Homestead and rollback receipts were misposted to the Fire District Fund instead of the Fire Truck Special Levy Fund. (\$5,181 – 2005). Adjustments not made from the previous audit (2004 and 2003) were repeated. In addition, receipts of \$52,000 and \$9,500 were misposted to the Road and Bridge Fund, Miscellaneous line item rather than to the Sale of Notes and Sale of Capital Assets line item respectively. Debt payments of \$70,851 were incorrectly posted to the Fire Truck Special Levy Fund, Public Safety line item rather than to the Principal and Interest and Other line items. Debt payments of \$8,944 were incorrectly posted to the Fire District Fund, Capital Outlay line item rather than to the Principal and Interest and Other line items. In 2006, \$7,000 was incorrectly posted to the Fire District Fund, Miscellaneous line item rather than to the Intergovernmental line item. Several mispostings were made relating to debt payments totaling \$19,786 for the Road and Bridge Fund, MVL Tax Fund, Gas Tax, Permissive MVL Tax Fund and the General Fund. These payments were incorrectly posted to the Capital Outlay, Public Works and General Government line items rather than to the Principal and Interest and Other line items.

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Townships financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the UAN chart of accounts and the Township Handbook's chart of accounts to ensure that all accounts are being properly posted to the financial statements.

Officials' Response: The Fiscal Officer will correct this matter in the future.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code § 5705.41(D)(1), Proper expenditure certification.	No	Partially corrected. Repeated in the management letter.
2004-002	Ohio Revised Code § 5705.41(B), Expenditures exceeded appropriations.	No	Not corrected. Repeated as finding number 2006-001.



Mary Taylor, CPA
Auditor of State

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
JULY 5, 2007**