



**SCIPIO TOWNSHIP
SENECA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

SCIPIO TOWNSHIP
SENECA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Trustees:

We have audited the accompanying financial statements of Scipio Township, Seneca County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999. 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 audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 6, 2001

**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, 2000**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	
Cash Receipts:					
Local Taxes	\$23,198	\$89,209			\$112,407
Intergovernmental	60,625	75,514	\$36,944		173,083
Licenses, Permits, and Fees		3,289			3,289
Earnings on Investments	1,362			\$25	1,387
Other Revenue	3,737	3,825			7,562
Total Cash Receipts	<u>88,922</u>	<u>171,837</u>	<u>36,944</u>	<u>25</u>	<u>297,728</u>
Cash Disbursements:					
Current:					
General Government	71,385				71,385
Public Safety		27,621			27,621
Public Works		120,772			120,772
Health	7,897	3,628			11,525
Debt Service:					
Redemption of Principal		8,250			8,250
Interest and Fiscal Charges		1,504			1,504
Capital Outlay			44,514		44,514
Total Cash Disbursements	<u>79,282</u>	<u>161,775</u>	<u>44,514</u>		<u>285,571</u>
Total Receipts Over/(Under) Disbursements	<u>9,640</u>	<u>10,062</u>	<u>(7,570)</u>	<u>25</u>	<u>12,157</u>
Other Financing Receipts/(Disbursements):					
Transfers-In			7,570		7,570
Transfers-Out	(4,570)	(3,000)			(7,570)
Total Other Financing Receipts/(Disbursements)	<u>(4,570)</u>	<u>(3,000)</u>	<u>7,570</u>		
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<u>5,070</u>	<u>7,062</u>		<u>25</u>	<u>12,157</u>
Fund Cash Balances, January 1	<u>4,243</u>	<u>7,256</u>		<u>1,768</u>	<u>13,267</u>
Fund Cash Balances, December 31	<u>\$9,313</u>	<u>\$14,318</u>		<u>\$1,793</u>	<u>\$25,424</u>
Reserve for Encumbrances, December 31	<u>\$1,223</u>	<u>\$975</u>			<u>\$2,198</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 AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Fund</u>	
Cash Receipts:				
Local Taxes	\$19,569	\$78,529		\$98,098
Intergovernmental	54,043	73,221		127,264
Licenses, Permits, and Fees		3,587		3,587
Earnings on Investments	1,797		\$54	1,851
Other Revenue	3,224	5,892		9,116
	<u>78,633</u>	<u>161,229</u>	<u>54</u>	<u>239,916</u>
Total Cash Receipts				
	<u>78,633</u>	<u>161,229</u>	<u>54</u>	<u>239,916</u>
Cash Disbursements:				
Current:				
General Government	94,583			94,583
Public Safety		24,190		24,190
Public Works		119,376		119,376
Health	5,957	2,607		8,564
Debt Service:				
Redemption of Principal		24,125		24,125
Interest and Fiscal Charges		2,774		2,774
Capital Outlay	1,225	667		1,892
	<u>101,765</u>	<u>173,739</u>		<u>275,504</u>
Total Cash Disbursements				
	<u>101,765</u>	<u>173,739</u>		<u>275,504</u>
Total Receipts Over/(Under) Disbursements	(23,132)	(12,510)	54	(35,588)
Fund Cash Balances, January 1	<u>27,375</u>	<u>19,766</u>	<u>1,714</u>	<u>48,855</u>
Fund Cash Balances, December 31	<u><u>\$4,243</u></u>	<u><u>\$7,256</u></u>	<u><u>\$1,768</u></u>	<u><u>\$13,267</u></u>
Reserve for Encumbrances, December 31	<u><u>\$1,223</u></u>	<u><u>\$975</u></u>		<u><u>\$2,198</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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Scipio Township, Seneca County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, cemetery maintenance, and fire protection services.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to 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.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

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

Fire Fund - This fund receives property taxes and homestead and rollback for fire protection within the Township.

3. Capital Project 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 Township had the following significant capital project fund:

Issue II Fund - This fund is used to account for Issue II funds. The proceeds are being used to repair roads.

4. Fiduciary Funds (Trust Fund)

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary fund:

Nonexpendable Trust Fund - This fund receives money from the interest made from a Certificate of Deposit set up 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 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 carried over, and need not be reappropriated.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$24,324	\$12,167
Certificates of deposit	1,100	1,100
Total deposits	\$25,424	\$13,267

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,252	\$88,922	\$17,670
Special Revenue	167,551	171,837	4,286
Capital Projects		44,514	44,514
Fiduciary		25	25
Total	\$238,803	\$305,298	\$66,495

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,252	\$85,075	(\$13,823)
Special Revenue	167,551	168,750	(1,199)
Capital Projects		44,514	(44,514)
Fiduciary	1,100		1,100
Total	\$239,903	\$298,339	(\$58,436)

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,862	\$78,633	(\$4,229)
Special Revenue	190,985	161,229	(29,756)
Fiduciary	1,324	54	(1,270)
Total	\$275,171	\$239,916	(\$35,255)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,137	\$102,988	\$7,149
Special Revenue	210,750	174,714	36,036
Fiduciary	3,038		3,038
Total	\$323,925	\$277,702	\$46,223

The Township had expenditures exceeding appropriations which is not in compliance with Ohio Revised Code § 5705.41(B).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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 accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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.

5. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Truck Purchase Note	\$18,750	5.5%

**SCIPIO TOWNSHIP
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

The Truck Purchase Note was issued to finance the purchase of a new dump truck and plowing equipment to be used for Township road maintenance. The note is collateralized solely by the Township's taxing authority. The last debt payment of \$9,891 is due in 2001.

6. RETIREMENT SYSTEMS

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2000 and 1999, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% and 10.84% of participants' gross salaries for 1999 and 2000, respectively. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Trustees:

We have audited the accompanying financial statements of Scipio Township, Seneca County, Ohio, (the Township) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 6, 2001. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2000-40574-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-40574-002.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 6, 2001.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

April 6, 2001

**SCIPIO TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-40574-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated as provided in such chapter. As described in Note 3 to the financial statements, the Township had various funds where expenditures and encumbrances exceeded appropriations. As of December 31, 2000, the following fund types had expenditures and encumbrances in excess of appropriations:

<u>Name of Fund Type</u>	<u>Appropriations</u>	<u>Expenditures and Encumbrances</u>	<u>Variance</u>
General Fund	\$71,252	\$85,075	(\$13,823)
Gasoline Tax Fund	51,859	55,345	(3,486)
Road and Bridge Fund	39,563	49,632	(10,069)
Public Works Fund		44,514	(44,514)

The failure to limit spending to only those amounts approved by the Trustees could allow expenditures to exceed available resources and create deficit fund balances. We recommend appropriation measures be compared to the latest amended certificate of estimated resources and appropriate modifications be made prior to submitting it to the County Auditor. In addition, the Township should request a certification from the County Auditor for each appropriation measure.

FINDING NUMBER 2000-40574-002

Reportable Condition

Infrastructure Project Accounting (Issue II)

As stated in the Auditor of State's MAS Bulletin #89-17, all local governments participating in Issue II funding must, for each project awarded, establish a Capital Projects Fund to account for the related revenues and expenditures to the extent the local government has received benefit from the project. In 2000, the Township benefitted from \$36,944 in Issue II funding, and the related revenues and expenditures were not posted to the Township's records. In order to properly account for Issue II funding, it is recommended that the Clerk account for this project in the manner provided for by MAS Bulletin #89-17 and Auditor of State Bulletin 2000-08.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
MAY 3, 2001**