



**Auditor of State  
Betty Montgomery**



SCIPIO TOWNSHIP  
SENECA COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Trustees:

We have audited the accompanying financial statements of Scipio Township, Seneca County, Ohio (the Township) as of and for the years ended December 31, 2002 and 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audit 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 of Scipio Township, Seneca County as of December 31, 2002 and 2001, 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 March 4, 2003 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 audits.

This report is intended solely for the information and use of the audit committee, management, the Board 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 4, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>				
Local Taxes	\$25,304	\$131,063		\$156,367
Intergovernmental	47,129	80,654		127,783
Licenses, Permits, and Fees		2,532		2,532
Earnings on Investments	1,577		\$30	1,607
Other Revenue	12,946	6,678		19,624
	<u>86,956</u>	<u>220,927</u>	<u>30</u>	<u>307,913</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	85,058			85,058
Public Safety		217,945		217,945
Public Works		121,884		121,884
Health	7,399	5,071		12,470
Debt Service:				
Redemption of Principal		46,875		46,875
Interest and Fiscal Charges		1,741		1,741
Capital Outlay		2,311		2,311
	<u>92,457</u>	<u>395,827</u>	<u></u>	<u>488,284</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(5,501)</u>	<u>(174,900)</u>	<u>30</u>	<u>(180,371)</u>
<b>Other Financing Receipts:</b>				
Proceeds from Sale of Public Debt:				
Sale of Notes		150,000		150,000
		<u>150,000</u>		<u>150,000</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(5,501)</u>	<u>(24,900)</u>	<u>30</u>	<u>(30,371)</u>
<b>Fund Cash Balances, January 1</b>	<u>6,935</u>	<u>54,455</u>	<u>1,849</u>	<u>63,239</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,434</b></u>	<u><b>\$29,555</b></u>	<u><b>\$1,879</b></u>	<u><b>\$32,868</b></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, 2001**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Fiduciary Funds</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$25,479	\$124,761			\$150,240
Intergovernmental	57,566	80,562	\$17,978		156,106
Licenses, Permits, and Fees		2,030			2,030
Earnings on Investments	1,785			\$57	1,842
Other Revenue	5,066	11,510			16,576
	<u>89,896</u>	<u>218,863</u>	<u>17,978</u>	<u>57</u>	<u>326,794</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	85,120				85,120
Public Safety		44,664			44,664
Public Works		133,592			133,592
Health	8,199	3,783			11,982
Debt Service:					
Redemption of Principal		3,478			3,478
Interest and Fiscal Charges		516			516
Capital Outlay		2,500	17,978		20,478
	<u>93,319</u>	<u>188,533</u>	<u>17,978</u>		<u>299,830</u>
<b>Total Cash Disbursements</b>					
Total Receipts Over/ (Under) Disbursements	(3,423)	30,330		57	26,964
Fund Cash Balances, January 1	<u>10,358</u>	<u>24,125</u>		<u>1,792</u>	<u>36,275</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$6,935</b></u>	<u><b>\$54,455</b></u>		<u><b>\$1,849</b></u>	<u><b>\$63,239</b></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, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Scipio Township, Seneca County, Ohio (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.

*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, 2002 AND 2001  
(Continued)**

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

**3. Capital Project Fund**

This fund is 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 Funds)**

These funds are used to account for resources restricted by legally binding trust agreements.

**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.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) 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. The Township did not encumber all commitments required by Ohio law..

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**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. 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 Township's basis of accounting.

**SCIPIO TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**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:

	2002	2001
Demand deposits	\$31,768	\$62,139
Certificates of deposit	1,100	1,100
Total deposits	\$32,868	\$63,239

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,401	\$86,956	\$4,555
Special Revenue	376,761	370,927	(5,834)
Fiduciary	26	30	4
Total	\$459,188	\$457,913	(\$1,275)

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,742	\$92,457	\$2,285
Special Revenue	424,710	395,827	28,883
Fiduciary	1,875	1,875	-
Total	\$521,327	\$488,284	\$33,043

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$77,545	\$89,896	\$12,351
Special Revenue	170,023	218,863	48,840
Capital Projects	-	17,978	17,978
Fiduciary	77	57	(20)
Total	\$247,645	\$326,794	\$79,149

**SCIPIO TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$99,149	\$93,319	\$5,830
Special Revenue	188,822	188,533	289
Capital Projects		17,978	(17,978)
Fiduciary	1,869		1,869
Total	\$289,840	\$299,830	(\$9,990)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works Issue II Fund and Road and Bridge Fund by \$17,978 and \$10,293 respectively, for the year ended December 31, 2001. Also contrary to Ohio law, at December 31, 2001, the Public Works Issue II Fund and the Road and Bridge Fund had appropriations that were made but not approved by the Board of Trustees. Contrary to Ohio law, the fiscal officer's certification was not made prior to incurring the commitment for twelve percent of the items tested.

**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 payment, 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.

**5. DEBT**

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Fire Truck Note	\$112,500	4.9%

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

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

**SCIPIO TOWNSHIP  
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<u>Year ending December 31:</u>	<u>Fire Truck Note</u>
2003	
2004	\$39,343
2005	39,338
2006	39,338
Total	<u><u>\$118,019</u></u>

**6. RETIREMENT SYSTEM**

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 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township is a member of the Ohio Township Association Risk Management Authority Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Township's policy. The Pool may assess supplemental premiums. The Pool covers the following risks:

- General liability and casualty;
- Public official's liability;
- Vehicle; and
- Wrongful Acts coverage.

OTARMA's financial statements (audited by other accountants) conform to generally accepted accounting principles, and report the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained Earnings	<u><u>\$14,324,773</u></u>	<u><u>\$13,759,406</u></u>

<u>Property Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained Earnings	<u><u>\$4,363,464</u></u>	<u><u>\$3,658,953</u></u>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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 44867-0249

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, 2002 and 2001, and have issued our report thereon dated March 4, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2002-40574-001, 2002-40574-002 and 2002-40574-003.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving

the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 4, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 4, 2003



**SCIPIO TOWNSHIP  
SENECA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2002-40574-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) states no subdivision shall make any expenditure of money unless it has been lawfully appropriated. As described in Note 3 to the financial statements, the Township had various funds where expenditures and encumbrances exceeded appropriations. As of December 31, 2001, the following fund types had expenditures and encumbrances in excess of appropriations:

<u>Name of Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Road and Bridge Fund	\$56,408	\$66,701	(\$10,293)
Public Works Issue II Fund		17,978	(17,978)

This situation could allow deficit balances to occur if spending is not limited to appropriations. Actual revenues were sufficient as to allow the Township to make supplemental appropriations. The Clerk should not approve purchase orders or payments exceeding appropriations. If sufficient resources exist, the Clerk should request the Board of Trustees to amend appropriations. The Clerk should review MAS Bulletin 89-17 and Auditor of State Bulletin 2000-008 which give recommended accounting treatments for Issue II Funds.

**FINDING NUMBER 2002-40574-002**

Ohio Revised Code § 5705.40 requires amended appropriations be approved by the Board of Trustees. The Clerk adjusted appropriations in the Public Works Project Fund and Road and Bridge Fund during fiscal year 2001 without the approval of the Board of Trustees. As a result, expenditures were made against unauthorized appropriations. We recommend the Board of Trustees approve all appropriation modifications by including a resolution in the minutes.

**FINDING NUMBER 2002-40574-003**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money is to be made unless there are attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

**FINDING NUMBER 2002-40574-003**  
**(Continued)**

- b. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Twelve percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all Board disbursements receive certification of the fiscal officer that the funds are or will be available.

**SCIPIO TOWNSHIP  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2000-40574-001	Ohio Revised Code § 5705.41(B) - failure to make appropriation modifications.	No	Not Corrected. Repeated as finding 2002-40574-003.
2000-40574-002	Reportable condition, the Township did not properly account for Issue II funding.	Yes	





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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  
MARCH 25, 2003**