



Mary Taylor, CPA
Auditor of State

**SENECA TOWNSHIP
SENECA COUNTY**

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Mary Taylor, CPA
Auditor of State

Seneca Township
Seneca County
4098 County Road 47
New Riegel, Ohio 44853-9971

To the Board of Trustees:

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 3, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Seneca Township
Seneca County
4098 County Road 47
New Riegel, Ohio 44853-9971

To the Board of Trustees:

We have audited the accompanying financial statements of Seneca 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 requires 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 Seneca 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 May 3, 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

May 3, 2007

**SENECA 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>	<u>Permanent</u>	
Cash Receipts:					
Local Taxes	\$34,201	\$83,350			\$117,551
Intergovernmental	45,825	106,626	\$20,000		172,451
Special Assessments		1,873			1,873
Earnings on Investments	276	414		\$72	762
Other Revenue	1,093				1,093
	<u>81,395</u>	<u>192,263</u>	<u>20,000</u>	<u>72</u>	<u>293,730</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
General Government	77,519				77,519
Public Safety		28,830			28,830
Public Works		140,383			140,383
Health	2,885				2,885
Debt Service:					
Redemption of Principal		11,788			11,788
Capital Outlay	1,000	12,000	20,000		33,000
	<u>81,404</u>	<u>193,001</u>	<u>\$20,000</u>		<u>294,405</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	(9)	(738)		72	(675)
Fund Cash Balances, January 1	<u>32,829</u>	<u>97,797</u>		<u>3,028</u>	<u>133,654</u>
Fund Cash Balances, December 31	<u>\$32,820</u>	<u>\$97,059</u>		<u>\$3,100</u>	<u>\$132,979</u>

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

**SENECA 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>	<u>Permanent</u>	
Cash Receipts:					
Local Taxes	\$32,516	\$79,948			\$112,464
Intergovernmental	32,807	99,333	\$201,517		333,657
Special Assessments		2,023			2,023
Earnings on Investments	268	368		\$58	694
Other Revenue	361				361
Total Cash Receipts	<u>65,952</u>	<u>181,672</u>	<u>201,517</u>	<u>58</u>	<u>449,199</u>
Cash Disbursements:					
Current:					
General Government	84,033				84,033
Public Safety		28,840			28,840
Public Works	2,322	109,898			112,220
Health	2,680				2,680
Capital Outlay			201,517		201,517
Total Cash Disbursements	<u>89,035</u>	<u>138,738</u>	<u>\$201,517</u>		<u>429,290</u>
Total Receipts Over/(Under) Disbursements	<u>(23,083)</u>	<u>42,934</u>		<u>58</u>	<u>19,909</u>
Fund Cash Balances, January 1	<u>55,912</u>	<u>54,863</u>		<u>2,970</u>	<u>113,745</u>
Fund Cash Balances, December 31	<u>\$32,829</u>	<u>\$97,797</u>		<u>\$3,028</u>	<u>\$133,654</u>

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

**SENECA 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 Seneca 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 and cemetery maintenance. The Township contracts with the Village of New Riegel and McCutchenville Fire Department to provide fire 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 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 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.

**SENECA TOWNSHIP
SENECA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project fund:

Public Works Commission Projects - The Township received a grant from the Ohio Public Works Commission to repair Township roads.

4. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Township's programs. The Township had the following significant permanent fund:

Cemetery Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Township's 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.

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.

**SENECA TOWNSHIP
SENECA COUNTY**

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

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 permanent fund. The effect on fund balance is as follows:

	Fund Balance at December 31, 2004	Restated Fund Balance at January 1, 2005
Nonexpendable Trust Fund	\$2,970	
Permanent Fund		\$2,970

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	\$130,046	\$130,721
Certificates of deposit	2,933	2,933
Total deposits	\$132,979	\$133,654

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,039	\$81,395	(\$644)
Special Revenue	170,445	192,263	21,818
Capital Projects	20,000	20,000	
Permanent	133	72	(61)
Total	\$272,617	\$293,730	\$21,113

**SENECA TOWNSHIP
SENECA COUNTY**

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

4. BUDGETARY ACTIVITY – (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$110,882	\$81,404	\$29,478
Special Revenue	264,216	193,001	71,215
Capital Projects	20,000	20,000	
Permanent	132		132
Total	<u>\$395,230</u>	<u>\$294,405</u>	<u>\$100,825</u>

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$85,629	\$65,952	(\$19,677)
Special Revenue	166,045	181,672	15,627
Capital Projects	201,517	201,517	
Permanent	37	58	21
Total	<u>\$453,228</u>	<u>\$449,199</u>	<u>(\$4,029)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$141,542	\$89,035	\$52,507
Special Revenue	220,908	138,738	82,170
Capital Projects	201,517	201,517	
Permanent	37		37
Total	<u>\$564,004</u>	<u>\$429,290</u>	<u>\$134,714</u>

5. PROPERTY TAX

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

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

**SENECA TOWNSHIP
SENECA COUNTY**

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

5. PROPERTY TAX – (Continued)

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:

	Principal	Interest Rate
OPWC #CP26H	\$82,513	0%

The Ohio Public Works Commission (OPWC) loan #CP26H relates to the TR 54 widening project. OPWC loaned the Village \$94,300 for this project. The Township will repay the loan in semiannual installments of \$5,894 over 8 years. Local Government Revenue Assistance receipts collateralize the loan.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC #CP26H
2007	\$11,788
2008	11,788
2009	11,788
2010	11,788
2011	11,788
2012-2013	23,573
Total	\$82,513

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 plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005, members of OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. For 2006, member of OPERS contributed 9.0 percent of their gross salaries and the Township contributed an amount equaling 13.70 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**SENECA TOWNSHIP
SENECA COUNTY**

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

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 townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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 provides aggregate stop-loss coverage based upon the combined members' total insurable value. 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 2005 was \$1,682,589.

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

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

**SENECA TOWNSHIP
SENECA COUNTY**

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

8. RISK MANAGEMENT – (Continued)

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, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$17,000. 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.

Township Contributions to OTARMA

2004	\$7,993
2005	\$7,894
2006	\$8,321

**SENECA TOWNSHIP
SENECA COUNTY**

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

8. RISK MANAGEMENT – (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 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 was incurred or 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*

Seneca Township
Seneca County
4098 County Road 47
New Riegel, Ohio 44853-9971

To the Board of Trustees:

We have audited the financial statements of Seneca Township, Seneca County, (the Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 3, 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.

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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated May 3, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated May 3, 2007.

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

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



Mary Taylor, CPA
Auditor of State

May 3, 2007

**SENECA 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

Finding for Recovery Repaid Under Audit

Ohio Revised Code § 505.60 provides that a township may procure and pay all or any part of the cost of health insurance benefits for its officers and employees. Article II, section 20 of the Ohio Constitution generally prohibits elected officials from receiving increases in their compensation in the midst of their term of office. It is well settled that insurance benefits are compensation for the purposes of Article II, Section 20 of the Ohio Constitution.

The Township has elected to offer a health insurance plan to their Trustees pursuant to Ohio Revised Code § 505.60. The Township, by resolution, set a limit of \$4,500 per year to be paid by the Township for insurance. On December 12, 2005 the Township passed Resolution #17-2005. This resolution increased the maximum amount the Township pays for insurance to \$6,000 per year for 2006.

Township Trustee Gregory Smith elected to receive this increase during his term of office. For the reasons stated above, this led to a violation of the prohibition on in-term increases in compensation for elected officials. Trustee Smith was overcompensated in the amount of \$1,500.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money that has been illegally expended is hereby issued against Gregory Smith, Trustee, Mr. Smith's bonding company, the Ohio Township Association Risk Management Authority, Dennis Rosier, Fiscal Officer and Mr. Rosier's bonding company, the Travelers Casualty and Surety Company of America, jointly and severally, in the amount of one thousand five hundred dollars (\$1,500) and in favor of the Township's General Fund.

The Finding for Recovery was repaid during the audit on April 25, 2007 and was credited to the General Fund.

Officials Response

The Board of Trustees acknowledges an error was made and Mr. Smith agreed to repay the overpayment of funds.

FINDING NUMBER 2006-002

Finding for Recovery Repaid Under Audit

On November 4, 2003, the citizens of Seneca Township (the Township) passed a tax levy in accordance with Ohio Revised Code § 5705.19(I), for the purpose of fire protection. The Township had a special Fire District fund established for the revenues derived from this tax levy as required by Ohio Revised Code § 5705.09. The McCutchenville Fire Department (the Fire Department) is contracted to provide fire services to the Township.

On October 31, 2005, and November 27, 2006, the Township Board of Trustees passed motions to donate \$2,500 to the Fire Department. The donations were paid by the Township on November 14, 2005 and December 1, 2006 from the Township's Fire District fund. Ohio Attorney General Opinion 83-069 states in the syllabus that "a board of township trustees may not use funds derived from a levy adopted under Ohio Revised Code § 5705.19(I) to simply donate a fire station, fire equipment, or apparatus, or maintenance services to a private volunteer fire company, but the board may contract with a private fire company for the provision of fire equipment, real estate, or services to the township upon any terms and conditions which the board, in the reasonable exercise of its discretion, deems appropriate." Therefore, the Board of Trustees did not have proper legal authority to make a donation to the Fire Department.

In accordance with the foregoing facts, and pursuant the Ohio Revised Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against the McCutchenville Fire Department in the amount of five thousand dollars (\$5,000) and in favor of the Seneca Township Fire District Fund. Furthermore, we recommend the Township expend the fire tax levy monies in accordance with the aforementioned section of the Ohio Revised Code and the Township's contract with the McCutchenville Fire Department.

The Finding for Recovery was repaid during the audit on April 25, 2007, and was credited to the Fire Levy Fund.

Officials Response

The Board of Trustees acknowledges an error was made and Board of the McCutchenville fire department agreed to repay the funds.

**SENECA TOWNSHIP
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

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(B) Expenditures in excess of appropriations	Yes	



Mary Taylor, CPA
Auditor of State

SENECA 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 29, 2007**