

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY**

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

Board of Trustees
Rootstown Township
4268 Sandy Lake Road
Ravenna, Ohio 44266

We have reviewed the *Independent Accountants' Report* of Rootstown Township, Portage County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Rootstown Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 26, 2008

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**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
AUDIT REPORT
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Trustees
Rootstown Township
Portage County
4268 Sandy Lake Road
Ravenna, Ohio 44266

We have audited the accompanying financial statements of the Rootstown Township, Portage County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the 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, 2005 and 2004 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, 2005 and 2004, 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 Rootstown Township, Portage County, Ohio, as of December 31, 2005 and 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2007, on our consideration of Rootstown Township, Ohio'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 10, 2007

**ROOTSTOWN TOWNSHIP
PORTAGE 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, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Fiduciary Fund</u>	<u>Totals (Memorandum Only)</u>
<u>Cash Receipts</u>						
Local Taxes	\$ 88,199	\$ 895,855	\$ 154,940	\$ 0	\$ 0	\$ 1,138,994
Charges for Services	0	51,693	0	0	0	51,693
Licenses, Permits, and Fees	0	17,778	0	0	0	17,778
Special Assessments	0	4,059	0	0	0	4,059
Intergovernmental	187,979	238,029	0	74,200	0	500,208
Earnings on Investments	19,487	2,303	0	0	412	22,202
Other Revenue	<u>60,520</u>	<u>800</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>61,320</u>
Total Cash Receipts	<u>356,185</u>	<u>1,210,517</u>	<u>154,940</u>	<u>74,200</u>	<u>412</u>	<u>1,796,254</u>
<u>Cash Disbursements</u>						
Current:						
General Government	257,254	24,856	0	0	0	282,110
Public Safety	0	720,646	0	0	0	720,646
Public Works	0	319,718	0	0	0	319,718
Health	0	12,272	0	0	0	12,272
Recreation	20,058	0	0	0	0	20,058
Capital Outlay	0	14,739	0	0	0	14,739
Debt Service:						
Redemption of Principal	0	0	235,000	0	0	235,000
Interest and Other Fiscal Charges	<u>0</u>	<u>0</u>	<u>42,859</u>	<u>0</u>	<u>0</u>	<u>42,859</u>
Total Cash Disbursements	<u>277,312</u>	<u>1,092,231</u>	<u>277,859</u>	<u>0</u>	<u>0</u>	<u>1,647,402</u>
Total Receipts Over (Under) Disbursements	<u>78,873</u>	<u>118,286</u>	<u>(122,919)</u>	<u>74,200</u>	<u>412</u>	<u>148,852</u>
<u>Other Financing Receipts/(Disbursements)</u>						
Other Financing Sources	<u>0</u>	<u>1,172</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,172</u>
Total Other Financing Receipts/ (Disbursements)	<u>0</u>	<u>1,172</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,172</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	78,873	119,458	(122,919)	74,200	412	150,024
Fund Cash Balances - January 1, 2005	<u>575,562</u>	<u>291,821</u>	<u>128,336</u>	<u>0</u>	<u>12,745</u>	<u>1,008,464</u>
Fund Cash Balances - December 31, 2005	<u>\$ 654,435</u>	<u>\$ 411,279</u>	<u>\$ 5,417</u>	<u>\$ 74,200</u>	<u>\$ 13,157</u>	<u>\$ 1,158,488</u>

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

**ROOTSTOWN TOWNSHIP
PORTAGE 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, 2004**

	General	Special Revenue	Debt Service	Capital Projects	Fiduciary Fund	Totals (Memorandum Only)
Cash Receipts						
Local Taxes	\$ 96,894	\$ 800,662	\$ 151,839	\$ 0	\$ 0	\$1,049,395
Charges for Services	0	45,862	0	0	0	45,862
Licenses, Permits, and Fees	6	21,225	0	0	0	21,231
Special Assessments	0	2,565	0	0	0	2,565
Intergovernmental	271,498	100,083	0	0	0	371,581
Earnings on Investments	8,322	403	0	0	289	9,014
Other Revenue	65,446	5,667	0	0	0	71,113
Total Cash Receipts	<u>442,166</u>	<u>976,467</u>	<u>151,839</u>	<u>0</u>	<u>289</u>	<u>1,570,761</u>
Cash Disbursements						
Current:						
General Government	570,650	15,796	1,725	0	0	588,171
Public Safety	0	582,148	0	0	0	582,148
Public Works	0	434,861	0	0	0	434,861
Health	0	9,689	0	0	0	9,689
Recreation	9,284	0	0	0	0	9,284
Capital Outlay	0	26,580	0	0	0	26,580
Debt Service:						
Redemption of Principal	0	0	260,000	0	0	260,000
Interest and Other Fiscal Charges	0	0	43,735	0	0	43,735
Total Cash Disbursements	<u>579,934</u>	<u>1,069,074</u>	<u>305,460</u>	<u>0</u>	<u>0</u>	<u>1,954,468</u>
Total Receipts Over (Under) Disbursements	<u>(137,768)</u>	<u>(92,607)</u>	<u>(153,621)</u>	<u>0</u>	<u>289</u>	<u>(383,707)</u>
Other Financing Receipts/(Disbursements)						
Proceeds from Debt	0	0	200,000	0	0	200,000
Transfers-In	0	0	0	208,180	0	208,180
Transfers-Out	(208,180)	0	0	0	0	(208,180)
Advances-In	0	50,000	0	0	0	50,000
Advances-Out	(50,000)	0	0	0	0	(50,000)
Other Financing Sources/Uses	(188)	25,585	0	0	0	25,397
Total Other Financing Receipts/ (Disbursements)	<u>(258,368)</u>	<u>75,585</u>	<u>200,000</u>	<u>208,180</u>	<u>0</u>	<u>225,397</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(396,136)	(17,022)	46,379	208,180	289	(158,310)
Fund Cash Balances - January 1, 2004	<u>971,698</u>	<u>308,843</u>	<u>81,957</u>	<u>(208,180)</u>	<u>12,456</u>	<u>1,166,774</u>
Fund Cash Balances - December 31, 2004	<u>\$ 575,562</u>	<u>\$ 291,821</u>	<u>\$ 128,336</u>	<u>\$ 0</u>	<u>\$ 12,745</u>	<u>\$1,008,464</u>

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

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Description of the Entity**

Rootstown Township, Portage County, (the Township) as 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 road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical 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 and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The investment in STAROhio (the State Treasurer's Investment Pool) is recorded at amounts reported by the State Treasurer.

D. **Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Fund Accounting** (Continued)

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.

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.

EMS/Fire Levy Funds - these funds receive property tax money for the operation of the Fire and EMS departments.

Debt Service Fund - The Debt Service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following Debt Service fund:

General Bond (Note) Retirement Fund - This fund received property tax money for the payment of various debt issues, including the payment of a Fire Station note and bonds.

Capital Projects 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 trust funds).

Fiduciary Fund (Nonexpendable Trust Fund) - This fund is used to account for resources restricted by legally binding trust agreements. The Township had the following significant trust fund:

Cemetery Bequest Fund - This fund accounts for a bequest left for the care of the cemetery. Principal must be kept intact, but the interest income may be expended.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 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 2005 and 2004 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.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 2: EQUITY IN POOLED CASH AND INVESTMENTS

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

	2005	2004
Demand Deposits	\$ 422,916	\$ 295,094
STAR Ohio	735,572	713,370
Total Deposits and Investments	\$ 1,158,488	\$ 1,008,464

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

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ending 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 324,270	\$ 356,185	\$ 31,915
Special Revenue	1,247,459	1,211,689	(35,770)
Debt Service	176,523	154,940	(21,583)
Capital Projects	0	74,200	74,200
Non-Expendable Trust	300	412	112
Total	\$ 1,748,552	\$ 1,797,426	\$ 48,874

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$ 850,795	\$ 277,312	\$ 573,483
Special Revenue	1,367,977	1,092,231	275,746
Debt Service	282,000	277,859	4,141
Capital Projects	0	0	0
Non-Expendable Trust	3,000	0	3,000
Total	\$ 2,503,772	\$ 1,647,402	\$ 856,370

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 3: **BUDGETARY ACTIVITY** (Continued)

2004 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 286,652	\$ 442,166	\$ 155,514
Special Revenue	1,045,779	1,052,052	6,273
Debt Service	171,189	351,839	180,650
Capital Projects	0	208,180	208,180
Non-Expendable Trust	400	289	(111)
Total	<u>\$ 1,504,020</u>	<u>\$ 2,054,526</u>	<u>\$ 550,506</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 950,000	\$ 838,302	\$ 111,698
Special Revenue	1,190,270	1,069,074	121,196
Debt Service	325,667	305,460	20,207
Capital Projects	0	0	0
Non-Expendable Trust	3,000	0	3,000
Total	<u>\$ 2,468,937</u>	<u>\$ 2,212,836</u>	<u>\$ 256,101</u>

Contrary to Ohio Revised Code 5705.14, transfers were made in 2004 without a resolution of the Board of Trustees. See Noncompliance Finding 2005-001.

Contrary to Ohio Revised Code 5705.39, final appropriations exceeded total resources in one fund in both 2005 and 2004. See Noncompliance Finding 2005-003.

NOTE 4: **PROPERTY TAX**

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the 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 with 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.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 5: **DEBT**

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Bonds	\$ 850,000	4.50%
Total	<u>\$ 850,000</u>	

The Township acquired notes for a new fire station. The Township refinanced the notes into long-term bonds. The Township borrowed \$200,000 in 2004 and paid this debt in full in 2005.

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

<u>Year Ending December 31:</u>	<u>Fire Station Bond</u>
2006	\$ 71,330
2007	69,755
2008	73,180
2009	71,980
2010	70,700
2011-2015	364,330
2016-2020	363,460
2021-2022	144,635
Total	<u>\$1,229,370</u>

NOTE 6: **RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other Township employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide 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 2005 and 2004, members of OP&F contributed 10 percent of their wages. The township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries for 2005 and 2004. The Township has paid all contributions required through December 31, 2005.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 7: RISK POOL MEMBERSHIP

The Township is exposed to various risks of property and casualty losses and injuries to employers. The Township insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Township belongs to the Ohio township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsured claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA retained earnings, APEEP covers OTARMA losses 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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 to \$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.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

NOTE 7: **RISK POOL MEMBERSHIP** (Continued)

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

Members may withdraw on each anniversary of the date they joined OTARMA. The member 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and 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.

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:

<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>2005</u>	<u>2004</u>
<u>Property Coverage</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>

The Casualty Coverage assets and retained earnings above 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. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$15,000.

NOTE 8: **GASB 14 Reporting Entity**

The Rootstown Fire Company (the Company) provides services to the Township, including training for Fire Department personnel and maintenance to the Fire Department building in exchange for quarterly payments from the Township. The Company is a nonprofit corporation established in 1938 and is a related organization to the Township. Their financial information is not included in the Township's financial statements.

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Ohio Society of Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Rootstown Township

We have audited the financial statements of Rootstown Township, Portage County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004, which collective comprise Rootstown Township, Ohio's basic financial statements and have issued our report thereon dated December 10, 2007, wherein we noted the Rootstown Township, Ohio followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of the 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 certain deficiencies in internal control over financial reporting that we consider significant.

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 a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2005-001 and 2005-004.

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

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

We noted certain matters that we reported to Rootstown Township, Ohio's management in a separate letter dated December 10, 2007.

Compliance and Other Matters

As part of reasonably assuring whether Rootstown Township, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as Items 2005-001, 2005-002, 2005-003, 2005-004, and 2005-005.

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 December 10, 2007.

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 10, 2007

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number 2005-001: Advances and Transfers

Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:

- a specific statement that the transaction is an advance of cash, and
- an indication of the money fund from which it is expected that repayment will be made.

Ohio Revised Code Section 5705.14 states that no transfer can be made from one fund to another fund, except as follows:

- 1) To move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them;
- 2) To move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and
- 3) To use restricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Ohio Revised Code Section 5705.15 and 5705.16 states that, in addition to the transfers listed above, which Ohio Revised Code Section 5705.14 authorizes, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another, any public funds under its supervision, except the proceeds or balances of loans, bond issues, special levies for the payments of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by a law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose.

During 2004, the Township made an advance from the General Fund to the Special Levy Fire Fund and from the General Fund to the Permanent Improvement Fund without obtaining the proper approval.

Recommendation

We recommend that the Township properly approve all advances and transfers to ensure budgetary compliance with the Ohio Revised Code.

Auditee Response

The Township will comply with Ohio Revised Code Sections 5705.14, .15, and .16 regarding transfers and advances in the future.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

Finding Number 2005-02: Deposits of Public Money

Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it.

Per our testing of cash receipts and inquiry with the fiscal officer, receipts are not documented when received by the fiscal officer. In addition, the Township does not have a formal policy permitting officials to hold onto the money for up to three business days prior to deposit. Therefore, we cannot determine if all receipts are deposited in a timely manner.

Recommendation

We recommend that the Township deposit receipts in a timely manner and document such to maintain compliance with Ohio Revised Code Section 9.38.

Auditee Response

The Township will comply with Section 9.38 of the Ohio Revised Code in the future.

Finding Number 2005-003: Appropriations Exceed Estimated Resources

Ohio Revised Code Section 5705.39 states that total appropriations from each fund shall not exceed the total estimated resources. The Township's appropriations exceeded estimated resources in the following funds:

	<u>Final Resources</u>	<u>Final Appropriations</u>	<u>Amount Exceeded</u>
<u>2005</u>			
Special Revenue Funds:			
Road and Bridge	\$ 341,937	\$ 351,500	\$ (9,563)
<u>2004</u>			
Debt Service Funds:			
General Bond and Retirement	253,147	325,667	(72,520)

Recommendation

We recommend that the Township review estimated resources prior to appropriating the funds and strictly follow the provisions set forth in Ohio Revised Code Section 5705.39.

Auditee Response

The Township will implement procedures to prevent appropriations in excess of final resources.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

Finding Number 2005-004: Amendment to Appropriation Ordinance

Ohio Revised Code Section 5705.40 requires that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2004 and 2005, the Township's estimated disbursements, as reflected on the Uniform Accounting Network computer system, did not agree to the final appropriations by material variances.

Recommendation

We recommend that the Township amend its appropriation measure as necessary in order to reconcile the appropriation measure to the accounting records.

Auditee Response

The Township will correct this situation for future periods.

Finding Number 2005-005: Contracts

In 2004, the Township had one contract that was in excess of \$25,000 and therefore applicable to competitive bidding procedures. Per Ohio Revised Code Sections 511.12, 4115.04, and 9.24(B) regarding contracts, the required items listed below were missing from the Township's records:

- documentation that the lowest and/or best bid was awarded,
- documentation that prevailing wages were paid and monitored,
- documentation that the Township searched the Auditor of State's database for Unresolved Findings for Recovery,
- written acceptance of completed project,
- a certified check or bid bond received from the contractor.

Recommendation

We recommend that the Township follow the above noted Ohio Revised Code sections regarding contracts and obtain all required documentation for competitive bidding on all applicable contracts.

Auditee Response

The Township will comply with the above noted Ohio Revised Code guidelines.

**ROOTSTOWN TOWNSHIP
PORTAGE COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004
(CONTINUED)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2003-001	Ohio Revised Code Sections 5705.14, .15, and .16 regarding authorization of transfers.	No	Not corrected. Reissued as Finding Number 2005-01.
2003-002	Ohio Revised Code Section 5705.41(B) regarding restrictions on the expenditures of monies.	Yes	Corrected in 2004 and 2005.
2003-003	Ohio Revised Code Section 5705.10 regarding negative fund balances.	Yes	Corrected in 2004 and 2005.
2003-004	Reportable condition regarding timely cash reconciliations.	Yes	Corrected in 2004 and 2005.



Mary Taylor, CPA
Auditor of State

ROOTSTOWN TOWNSHIP

PORTAGE 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
APRIL 8, 2008**