

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Scipio Township	County Hillsdale
Fiscal Year End March 31, 2007	Opinion Date February 1, 2008	Date Audit Report Submitted to State February 13, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number 517-788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State Zip MI 49203
Authorizing CPA Signature <i>F. Roger Mack, CPA</i>		Printed Name F. Roger Mack	License Number 1101020342

Scipio Township
County of Hillsdale, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended March 31, 2007

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Independent Auditors' Report

To the Township Board of
Scipio Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scipio Township as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Scipio Township as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Scipio Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 15 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.,

February 1, 2008

WILLIS & JURASEK, P.C.

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Scipio Township
Statement of Net Assets
March 31, 2007

	<u>Primary Government Governmental Activities</u>
Assets:	
Cash and investments	\$ 336,261
Receivables	26,001
Capital assets, net	<u>5,314</u>
Total assets	<u>367,576</u>
 Liabilities:	
Accounts payable	<u>1,946</u>
 Net Assets:	
Invested in capital assets, net of related debt	5,314
Unrestricted	<u>360,316</u>
Total net assets	<u>\$ 365,630</u>

Scipio Township
Statement of Activities
Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	
Primary government				
Governmental activities:				
Legislative	\$ 16,268	\$ -	\$ -	(16,268)
General government	50,219	135	-	(50,084)
Public safety	35,986	2,590	-	(33,396)
Public works	99,832	15,887	-	(83,945)
Culture and recreation	1,000	-	-	(1,000)
Total governmental activities	203,305	18,612	-	(184,693)
 Total primary government	 \$ 203,305	 \$ 18,612	 \$ -	 (184,693)
 General revenues:				
Property taxes				47,619
State shared revenue				123,948
Interest and investment earnings				15,687
Other revenues				5,851
Total general revenues				193,105
 Changes in Net Assets				 8,412
 Net Assets - Beginning of Year				 357,218
 Net Assets - End of Year				 \$ 365,630

See Notes to Financial Statements.

Scipio Township
Balance Sheet
Governmental Funds
March 31, 2007

	<u>General Fund</u>
<u>Assets</u>	
Cash	\$ 336,261
Receivables:	
Taxes receivable	5,651
Due from other governmental units	<u>20,350</u>
Total assets	<u>\$ 362,262</u>
<u>Liabilities and Fund Balances</u>	
Liabilities:	
Accounts payable	<u>\$ 1,946</u>
Fund Balances:	
Unreserved; undesignated	<u>360,316</u>
Total liabilities and fund balances	<u>\$ 362,262</u>

Scipio Township

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
March 31, 2007

Total Fund Balances - Governmental Funds	\$	360,316
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		
The cost of the capital assets is	\$	17,223
Accumulated depreciation is	<u>(11,909)</u>	<u>5,314</u>
Total Net Assets - Governmental Activities	\$	<u>365,630</u>

Scipio Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2007

	General
Revenues:	
Taxes	\$ 47,619
Licenses and permits	135
Intergovernmental	123,948
Charges for services	18,477
Interest earnings	15,687
Other revenue	5,851
Total revenues	211,717
Expenditures:	
Legislative	16,268
General government	50,069
Public safety	35,986
Public works	99,832
Culture and recreation	1,000
Total expenditures	203,155
Net Changes in Fund Balances	8,562
Fund Balances - Beginning of Year	351,754
Fund Balances - End of Year	\$ 360,316

Scipio Township
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 Governmental Funds
 Year Ended March 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 8,562

Amounts reported for governmental activities in the Statement
 of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
 Statement of Activities, these costs are allocated over their estimated
 useful lives as depreciation.

Depreciation expense	\$ (150)	
Capital outlay	-	<u>(150)</u>

Change in Net Assets of Governmental Activities \$ 8,412

Scipio Township
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2007

	<u>Tax Collection Fund</u>
Assets:	
Cash and cash equivalents	<u>\$ 15,935</u>
Liabilities:	
Due to other governmental units	<u>\$ 15,935</u>

Scipio Township

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of Scipio Township have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Township operates under an elected Board of Trustees and provides various services to its residents in many areas including public safety, community enrichment, and development and human services.

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Scipio Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

Fiduciary Fund Types - These Funds, used to account for assets held in trust or as an agent for others, and include the Tax Collection Fund.

Additional Financial Statement Presentation Information – Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit. The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Township had no investments at March 31, 2007.

Scipio Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments (Continued) - State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchases agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Equipment	5 - 10

Scipio Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Long-Term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Hillsdae County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2006 had a taxable value of approximately \$42,231,931. The government's general operating tax rate for fiscal year 2006-07 was .8165 mills for operating.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Scipio Township
Notes to Financial Statements

2. Stewardship, compliance and Accountability

The general fund are the governmental fund types under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general fund budget is presented to Township Board in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general fund were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. Violations for the General Fund, if any, are noted in the required supplementary information section.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 7) The budgetary information presented has not been amended during the year by an official action of the Township Board.
- 8) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and investments	\$ <u>336,261</u>	\$ <u>15,935</u>	\$ <u>352,196</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. The Township has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$169,744 of the Township's bank balance of \$369,744 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township had no investments at year-end.

Scipio Township
Notes to Financial Statements

4. Receivables

Receivables of the governmental activities of the primary Government at March 31, 2007, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 20,350
Taxes receivable	<u>5,651</u>
Total	<u>\$ 26,001</u>

5. Capital Assets

Capital assets activity for the year ended March 31, 2007 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>5,164</u>	\$ _____ -	\$ _____ -	\$ <u>5,164</u>
Total capital assets not being depreciated	<u>5,164</u>	_____ -	_____ -	<u>5,164</u>
Capital assets being depreciated:				
Equipment and furniture	<u>12,059</u>	_____ -	_____ -	<u>12,059</u>
Accumulated depreciation:				
Equipment and furniture	<u>11,759</u>	<u>150</u>	_____ -	<u>11,909</u>
Total capital assets being depreciated - net	<u>300</u>	<u>(150)</u>	_____ -	<u>150</u>
Governmental activities capital assets - net	<u>\$ 5,464</u>	<u>\$ (150)</u>	<u>\$ _____</u>	<u>\$ 5,314</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ <u>150</u>

6. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2007, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Required Supplemental Information

Scipio Township
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget to Actual
 Year Ended March 31, 2007

	2007		
	Original Budget	Final Budget	Actual
Revenues:			
Property taxes	\$ 41,000	\$ 41,000	\$ 47,619
License and permits	100	100	135
Intergovernmental	115,000	115,000	123,948
Charges for services	20,000	20,000	18,477
Interest	3,000	3,000	15,687
Other	<u>10,000</u>	<u>10,000</u>	<u>5,851</u>
Total revenues	<u>189,100</u>	<u>189,100</u>	<u>211,717</u>
Expenditures:			
Legislative:			
Township board	22,850	22,850	16,268
General government:			
Supervisor	14,300	14,300	13,080
Elections	1,500	1,500	3,599
Clerk	11,500	11,500	11,285
Board of review	1,000	1,000	383
Treasurer	11,500	11,500	11,838
Cemetery	<u>13,000</u>	<u>13,000</u>	<u>9,884</u>
Total general government	<u>52,800</u>	<u>52,800</u>	<u>50,069</u>
Public safety:			
Fire	<u>34,000</u>	<u>34,000</u>	<u>35,986</u>
Public works			
Roads	88,000	88,000	74,858
Refuse	30,000	30,000	21,749
Light district	<u>2,800</u>	<u>2,800</u>	<u>3,225</u>
Total highways, streets and transportation	<u>120,800</u>	<u>120,800</u>	<u>99,832</u>
Culture and recreation	<u>800</u>	<u>800</u>	<u>1,000</u>
Total expenditures	<u>231,250</u>	<u>231,250</u>	<u>203,155</u>
Change in Fund Balances	(42,150)	(42,150)	8,562
Fund Balances - Beginning of Year	<u>351,754</u>	<u>351,754</u>	<u>351,754</u>
Fund Balances - End of Year	<u>\$ 309,604</u>	<u>\$ 309,604</u>	<u>\$ 360,316</u>



To the Township Board
of Scipio Township

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Scipio Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- 2007-1: The management of the Township has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112, which became effective this year.

- 2007-2: Due to the limited personal in the accounting department, the Township lacks segregation of duties over several areas, including cash receipting, cash disbursements, journal entry processes, and bank reconciliations. The limited size of the staff does not allow for segregating duties. The Township should be aware of these areas and attempt to establish procedures to minimize this lack of controls.

- 2007-3: During the course of the audit we proposed several journal entries, which management agreed with and posted to the final general ledger. However, some of thee entries had a material affect on the final financial statements. This is considered a material weakness under SAS 112, which became effective this year.

- 2007-4: The Township has chosen not presented a Management's Discussion and Analysis as supplementary information. This is considered a significant deficiency as defined by SAS 112.

A material weakness is a significant deficiency, or a 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 entity's internal control. Of the significant deficiencies described above, we consider Finding 2007-1 and 2007-3 to be material weaknesses.

This communication is intended solely for the information and use of management, the Township Board and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

February 1, 2008