



Mary Taylor, CPA  
Auditor of State

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**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	19

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Mary Taylor, CPA  
Auditor of State

Saline Township  
Jefferson County  
PO Box 177  
Hammondsville, Ohio 43930

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 an 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 adverse 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

August 20, 2010

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Saline Township  
Jefferson County  
PO Box 177  
Hammondsville, Ohio 43930

To the Board of Trustees:

We have audited the accompanying financial statements of Saline Township, Jefferson County, (the Township) as of and for the years ended December 31, 2009 and 2008. 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 require 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, 2009 and 2008 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, 2009 and 2008, 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 Saline Township, Jefferson County, as of December 31, 2009 and 2008, 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 August 20, 2010, 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

August 20, 2010



**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$325,404	\$118,944	\$444,348
Licenses, Permits, and Fees	2,637	5,753	8,390
Fines and Forfeitures	33,751		33,751
Intergovernmental	203,384	173,405	376,789
Earnings on Investments	175		175
Miscellaneous	7,242	270	7,512
	<u>572,593</u>	<u>298,372</u>	<u>870,965</u>
<b>Total Cash Receipts</b>			
	<u>572,593</u>	<u>298,372</u>	<u>870,965</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	306,053	57,956	364,009
Public Safety	170,540	107,448	277,988
Public Works	1,111	93,767	94,878
Conservation - Recreation	3,382		3,382
Capital Outlay	57,063	5,082	62,145
Debt Service:			
Redemption of Principal		15,785	15,785
Interest and Other Fiscal Charges		628	628
	<u>538,149</u>	<u>280,666</u>	<u>818,815</u>
<b>Total Cash Disbursements</b>			
	<u>538,149</u>	<u>280,666</u>	<u>818,815</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>34,444</u>	<u>17,706</u>	<u>52,150</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Sale of Notes	37,000		37,000
Other Financing Sources	6,000		6,000
Other Financing Uses	(3,560)		(3,560)
	<u>39,440</u>		<u>39,440</u>
<b>Total Other Financing Receipts / (Disbursements)</b>			
	<u>39,440</u>		<u>39,440</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements</b>	<u>73,884</u>	<u>17,706</u>	<u>91,590</u>
<b>Fund Cash Balances, January 1</b>	<u>108,989</u>	<u>136,788</u>	<u>245,777</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$182,873</u></u>	<u><u>\$154,494</u></u>	<u><u>\$337,367</u></u>

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

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$307,151	\$112,010		\$419,161
Licenses, Permits, and Fees	1,632	2,699		4,331
Fines and Forfeitures	30,162			30,162
Intergovernmental	218,092	175,673	\$46,007	439,772
Earnings on Investments	440			440
Miscellaneous	2,855	9,568		12,423
	<u>560,332</u>	<u>299,950</u>	<u>46,007</u>	<u>906,289</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Current:				
General Government	317,474	55,223		372,697
Public Safety	156,877	102,980		259,857
Public Works	9,763	103,236		112,999
Conservation - Recreation	2,760			2,760
Capital Outlay	1,524	10,071	46,007	57,602
Debt Service:				
Redemption of Principal	62,417	9,820		72,237
Interest and Other Fiscal Charges	1,012	579		1,591
	<u>551,827</u>	<u>281,909</u>	<u>\$46,007</u>	<u>879,743</u>
<b>Total Cash Disbursements</b>				
<b>Total Receipts Over/(Under) Disbursements</b>	<u>8,505</u>	<u>18,041</u>		<u>26,546</u>
<b>Other Financing Receipts / (Disbursements):</b>				
Sale of Notes	60,000			60,000
Transfers-In	6,976			6,976
Transfers-Out		(6,976)		(6,976)
Other Financing Uses	(29,661)			(29,661)
	<u>37,315</u>	<u>(6,976)</u>		<u>30,339</u>
<b>Total Other Financing Receipts / (Disbursements)</b>				
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	45,820	11,065		56,885
Fund Cash Balances, January 1	63,169	125,723		188,892
<b>Fund Cash Balances, December 31</b>	<u><b>\$108,989</b></u>	<u><b>\$136,788</b></u>		<u><b>\$245,777</b></u>

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

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008**

**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 the Saline Township, Jefferson 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, van transportation, police protection and emergency medical services, cemetery maintenance, and general governmental services. The Township contracts with the Village of Irondale Fire Department to provide fire services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. Note 7 to the financial statements provide additional information for this entity. This organization is:

The Ohio Township Association Risk Management Authority (OTARMA) provides property and casualty coverage for its members.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis 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. 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:

**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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Fire District Fund - This fund receives property tax money to pay for fire services.

Emergency Medical Services Fund - This fund receives property tax money to pay for emergency medical services.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund - The Township receives intergovernmental receipts for road projects.

**D. 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 cancelled and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**E. 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.

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**F. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS**

The Township maintains a deposit pool for all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2009	2008
Demand deposits	\$337,367	\$245,777

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$592,800	\$615,593	\$22,793
Special Revenue	300,530	298,372	(2,158)
Total	\$893,330	\$913,965	\$20,635

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$673,641	\$541,709	\$131,932
Special Revenue	414,658	280,666	133,992
Total	\$1,088,299	\$822,375	\$265,924

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$617,555	\$627,308	\$9,753
Special Revenue	299,154	299,950	796
Capital Projects		46,007	46,007
Total	\$916,709	\$973,265	\$56,556

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY - (Continued)**

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$680,456	\$581,488	\$98,968
Special Revenue	420,748	288,885	131,863
Capital Projects	46,007	46,007	
Total	\$1,147,211	\$916,380	\$230,831

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
Transport Van Bond	\$37,000	4.25%

Transport Van Bond was issued to finance the purchase of a 2010 van for the Township's transportation program. The original bond was dated December 7, 2009 for \$37,000 and 5 years. The bond was collateralized by the van and by the Township's taxing authority.

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

Year ending December 31:	Van Bond
2010	\$8,346
2011	8,384
2012	8,382
2013	8,367
2014	8,340
Total	\$41,819

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**6. 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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2009, police employees contributed 10.10% of their wages. For 2008 and 2009, the Township contributed to an amount equal to 17.4% and 17.63% of full-time police members' wages, respectively. For 2008 and 2009, all other employees contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York) functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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

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, 2009 and 2008:

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009 AND 2008  
(Continued)**

**7. RISK MANAGEMENT - (Continued)**

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township's share of these unpaid claims collectible in future years is approximately \$15,429.

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.

<u>Contributions to OTARMA</u>	
2007	\$19,387
2008	\$19,269
2009	\$17,941

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 occurred or was 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*

Saline Township  
Jefferson County  
PO Box 177  
Hammondsville, Ohio 43930

To the Board of Trustees:

We have audited the financial statements of Saline Township (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated August 20, 2010, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 described in the accompanying schedule of findings to be a material weakness.

### **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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 20, 2010.

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.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 20, 2010

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2009 AND 2008**

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

**FINDING NUMBER 2009-001**

**Finding For Recovery – Repaid Under Audit**

**Ohio Revised Code Section 507.09** states that for 2008, a Township Fiscal Officer shall be entitled to annual compensation of \$16,977 (\$1,415 per month) when the Township's annual budget is between \$750,001 and \$1,500,000. The Township's annual budget was in the \$750,001 to \$1,500,000 range from January 1, 2008 through December 31, 2008. Don Fraley served as Fiscal Officer from May 13, 2008 through December 31, 2008. Mr. Fraley was overcompensated in 2008 as follows:

Name	Number of Months	Monthly Salary	Amount Due	Amount Paid	Overpayment
Don Fraley, Fiscal Officer	7.6	\$1,415	\$10,752	\$11,122	\$370

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Don Fraley, Fiscal Officer in the amount of \$370 and in favor the General Fund of Saline Township.

On July 20, 2010, Don Fraley agreed that the overpayment was made and \$370 was repaid to the General Fund of Saline Township.

**Officials' Response**

The finding for recovery has been repaid.

**FINDING NUMBER 2009-002**

**Finding For Recovery**

**Ohio Revised Code Section 505.60(A)** provides that the Board of Township Trustees of any township may procure and pay all or any part of the cost of insurance policies for Township officers and employees. If the Board procures any insurance under this section, the Board shall provide uniform coverage under these policies for Township officers and full-time township employees and immediate dependents.

**Ohio Revised Code Section 505.60(D)** provides that where an officer or employee is either denied coverage under a health care plan procured by this section, or elects not to participate in the township's health care plan, the township may reimburse the officer or employee for each out of pocket premium attributable to the coverage provided for the offer or employee for insurance benefits described in division (A) of this section that the officer or employee otherwise obtains. This reimbursement shall not exceed an amount equal to the average premium paid by the township for its officers and employees under any health care plan it procures under this section.

The Township offers health insurance coverage to its officers and employees pursuant to Ohio Revised Code Section 506.60. Township Trustee, Donna Applegate, did not participate in such coverage, instead electing the reimbursement available under Ohio Revised Code Section 505.60(D). During testing, however, it was noted that no documentation existed to substantiate the reimbursement for out of pocket premiums. Ms. Applegate has been unable to provide such documentation to date. Without proper documentation, it is impossible to determine that the reimbursement met the requirements of this section. Ms. Applegate was reimbursed \$1,759 in 2008.

**FINDING NUMBER 2009-002  
(Continued)**

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Donna Applegate, Trustee, and Travelers Casualty and Surety Company of America, her surety, jointly and severally, in the amount of \$1,759 in favor of the Saline Township General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public officer from which such illegal expenditures is made is liable for the amount of such expenditure. *Seward v. Nation Surety Co.* (1929), 120 Ohio St. 47, 198 Op. Att'y Gen. No. 80-074, Ohio Revised Code Section 9.38. *State ex. Rel Village of Lindale v. Mastern* (1985), 18-Ohio St. 3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Att'y Gen. No. 80-074.24.

Accordingly, Vivian Lawrence, Fiscal Officer from January 1, 2008 – May 12, 2008, and Travelers Casualty and Surety Company of America, her surety, are jointly and severally liable in the amount of \$733 in favor of the Saline Township General Fund, Don Fraley, Fiscal Officer from May 13, 2008 through December 31, 2008, and Travelers Casualty and Surety Company of America, his surety, are jointly and severally liable in the amount of \$1,026 in favor of the Saline Township General Fund.

Ms. Lawrence and Mr. Fraley are only liable to the extent that recovery is not obtained from Ms. Applegate.

**Officials' Response**

We did not receive a response from officials to this finding.

**FINDING NUMBER 2009-003**

**Noncompliance Citation**

**Ohio Revised Code Section 5705.41(D)** provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a Fiscal Officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

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

**FINDING NUMBER 2009-003**  
**(Continued)**

If the amount involved is less than \$3,000 the Fiscal Officer may authorize payment through a Then and Now Certificate without affirmation of the Township Board of Trustees if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Township may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Township did not certify the amount against the applicable appropriation accounts for 22% of tested expenditures in 2009. The Township did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

The Township should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials’ Response**

The Township is striving to correct this noncompliance finding.

**FINDING NUMBER 2009-004**

**Material Weakness**

**Posting Receipts and Disbursements**

The Township did not correctly post all receipts and disbursements in 2008, resulting in an adjustment and reclassifications to the financial statements. The Township Fiscal Officer has agreed to the adjustment and reclassifications. The corrected amounts are reflected in the accompanying financial statements.

**FINDING NUMBER 2009-004  
 (Continued)**

<b>Fund Name</b>	<b>Account Type</b>	<b>Amount</b>	<b>Description</b>
<b>2008 Reclassifications</b>			
General	Miscellaneous Revenue	\$328	Recorded as a Special Item.
General	Sale of Notes	\$60,000	Recorded as Other Financing Sources.
General	Debt Principal Payment	\$2,417	Recorded as Public Safety and Other Financing Uses.
Road & Bridge	Principal Expenditure	\$9,820	Recorded as Public Works.
Road & Bridge	Interest Expense	\$579	Recorded as Public Works.
<b>2008 Adjustments</b>			
Miscellaneous Capital Project	Intergovernmental revenue Capital Outlay	\$46,007	Issue II money - not recorded
<b>2009 Reclassifications</b>			
General Fund	Miscellaneous Revenue	\$328	Recorded as a Special Item.
General Fund	Sale of Notes	\$37,000	Recorded as Other Financing Sources.
General Fund	Debt Principal Payment	\$15,785	Recorded as Public Works.
General Fund	Interest Payment	\$628	Recorded as Public Works.

Failure to consistently post all transactions correctly increases the possibility the Township will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Fiscal Officer should refer to Auditor of State Bulletin 2000-008, which provides guidance on accounting for on-behalf-of programs when a local government or its residents are beneficiaries of the program. The Fiscal Officer should maintain the accounting system to enable the Township to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Township should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

**Officials' Response**

The Township is striving to correct this finding.

**SALINE TOWNSHIP  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	ORC Section 5705.41(D) Disbursements were not properly certified.	No	Repeated as Finding Number 2009-003.
2007-002	ORC Section 4705.41(B) Disbursements exceeded appropriations.	No	Repeated in the Management Letter.
2007-003	ORC Section 5705.10(H) Funds had deficit fund balances.	Yes	Corrected.
2007-004	ORC Section 505.60 The Township reimbursed Officials in excess of the actual out-of pocket premium expenses.	Yes	Corrected.
2007-005	Proper Classification of Receipts - Receipts were misclassified.	No	Repeated as Finding Number 2009-004.

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**Mary Taylor, CPA**  
Auditor of State

**SALINE TOWNSHIP**

**JEFFERSON 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  
DECEMBER 2, 2010**