



Mary Taylor, CPA
Auditor of State

SALT CREEK TOWNSHIP
PICKAWAY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
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, 2008.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007.....	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>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

This page intentionally left blank.



Mary Taylor, CPA
Auditor of State

Salt Creek Township
Pickaway County
27924 Kime Holderman Rd.
Circleville, Ohio 43113

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 Township 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

October 15, 2009

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Salt Creek Township
Pickaway County
27924 Kime Holderman Rd.
Circleville, Ohio 43113

To the Board of Trustees:

We have audited the accompanying financial statements of Salt Creek Township, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2008 and 2007. 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 Township 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, 2008 and 2007 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, 2008 and December 31, 2007, 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 Salt Creek Township, Pickaway County, Ohio as of December 31, 2008 and 2007, 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 October 15, 2009, 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

October 15, 2009

**SALT CREEK TOWNSHIP
PICKAWAY 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**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent Fund	
Cash Receipts:					
Property and Other Local Taxes	\$ 64,668	\$ 287,041	\$ -	\$ -	\$ 351,709
Licenses, Permits, and Fees	-	3,250	-	-	3,250
Intergovernmental	48,227	251,441	-	-	299,668
Earnings on Investments	2,377	986	-	506	3,869
Miscellaneous	352	1,899	-	-	2,251
	115,624	544,617	-	506	660,747
Cash Disbursements:					
Current:					
General Government	89,561	3,478	-	-	93,039
Public Safety	-	76,713	-	-	76,713
Public Works	37,486	185,611	-	-	223,097
Health	3,000	15,114	-	-	18,114
Human Services	-	77,937	-	-	77,937
Capital Outlay	-	10,562	-	-	10,562
Debt Service:					
Redemption of Principal	547	122,894	-	-	123,441
Interest and Other Fiscal Charges	3	711	-	-	714
	130,597	493,020	-	-	623,617
Total Receipts Over/(Under) Disbursements	(14,973)	51,597	-	506	37,130
Fund Cash Balances, January 1	92,766	286,244	979	21,829	401,818
Fund Cash Balances, December 31	\$ 77,793	\$ 337,841	\$ 979	\$ 22,335	\$ 438,948

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

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	
Cash Receipts:					
Property and Other Local Taxes	\$ 63,563	\$ 277,972	\$ -	\$ -	\$ 341,535
Licenses, Permits, and Fees	-	4,500	-	-	4,500
Intergovernmental	74,703	166,702	-	-	241,405
Earnings on Investments	2,302	582	-	467	3,351
Miscellaneous	180	5,928	-	-	6,108
	<u>140,748</u>	<u>455,684</u>	<u>-</u>	<u>467</u>	<u>596,899</u>
Total Cash Receipts					
	140,748	455,684	-	467	596,899
Cash Disbursements:					
Current:					
General Government	97,784	3,324	-	-	101,108
Public Safety	-	68,214	-	-	68,214
Public Works	23,925	184,718	-	-	208,643
Health	6,000	6,266	-	-	12,266
Human Services	-	-	-	-	-
Capital Outlay	3,000	306,156	-	-	309,156
Debt Service:					
Redemption of Principal	13,463	95,428	-	-	108,891
Interest and Other Fiscal Charges	24	4,633	-	-	4,657
	<u>144,196</u>	<u>668,739</u>	<u>-</u>	<u>-</u>	<u>812,935</u>
Total Cash Disbursements					
	144,196	668,739	-	-	812,935
Total Receipts Over/(Under) Disbursements	<u>(3,448)</u>	<u>(213,055)</u>	<u>-</u>	<u>467</u>	<u>(216,036)</u>
	(3,448)	(213,055)	-	467	(216,036)
Other Financing Receipts / (Disbursements):					
Other Debt Proceeds	-	289,716	-	-	289,716
Other Financing Sources	3,580	-	-	-	3,580
	<u>3,580</u>	<u>289,716</u>	<u>-</u>	<u>-</u>	<u>293,296</u>
Total Other Financing Receipts / (Disbursements)					
	3,580	289,716	-	-	293,296
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements	132	76,661	-	467	77,260
	132	76,661	-	467	77,260
Fund Cash Balances, January 1	<u>92,634</u>	<u>209,583</u>	<u>979</u>	<u>21,362</u>	<u>324,558</u>
	92,634	209,583	979	21,362	324,558
Fund Cash Balances, December 31	<u>\$ 92,766</u>	<u>\$ 286,244</u>	<u>\$ 979</u>	<u>\$ 21,829</u>	<u>\$ 401,818</u>
	\$ 92,766	\$ 286,244	\$ 979	\$ 21,829	\$ 401,818

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

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

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 Salt Creek Township, Pickaway County, Ohio (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, 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. 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. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

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:

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 for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Road District Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads.

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

Fire District Fund - This fund receives property tax and special levy money to provide for the fire services that the Township provides.

Squad Levy Fund - This fund receives property tax and special levy money to provide for EMS services that the Township provides.

3. Capital Project Funds

This fund accounts for receipts restricted to acquiring or constructing major capital projects.

4. Permanent Funds

The Permanent Fund is for restricted donations for the cemetery for cemetery maintenance.

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 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.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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. The Township did not encumber all commitments required by Ohio law

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. 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 and Investments

The Township maintains a deposit and investments pool all funds use, except the certificate of deposit specific to the Permanent Fund. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$419,526	\$382,397
Investments - Certificates of deposit	19,422	19,421
Total deposits and investments	<u>438,948</u>	<u>401,818</u>

Deposits and Investments: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and December 31, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$177,274	\$115,624	(\$61,650)
Special Revenue	634,827	544,617	(90,210)
Permanent	0	506	506
Total	\$812,101	\$660,747	(\$151,354)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$270,475	\$130,597	\$139,878
Special Revenue	668,739	493,020	175,719
Permanent	0	0	0
Total	\$939,214	\$623,617	\$315,597

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$166,120	\$144,328	(\$21,792)
Special Revenue	526,529	745,400	218,871
Permanent	0	467	467
Total	\$692,649	\$890,195	\$197,546

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$260,608	\$144,196	\$116,412
Special Revenue	705,077	668,739	36,338
Permanent	0	0	0
Total	\$965,685	\$812,935	\$152,750

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, budgetary appropriations exceeded actual resources in the General Fund by \$23,646, the Gasoline Tax Fund by \$21,214, and Cemetery Fund by \$15,818 for the year ended December 31, 2007 and the General Fund by \$61,650, the Gasoline Tax Fund by \$21,648, and Permissive MVLT Fund by \$74,366 for the year ended December 31, 2008.

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, 2008 was as follows:

	Principal	Interest Rate
Ambulance Loan	125,815	4.75%
Total	\$125,815	

Two Ford ambulances were purchased in 2007 for \$289,716. The loan period is August 2, 2007 through August 2, 2012 with an interest rate at 4.75%. The loan was originally set up to be paid over 5 annual payments of \$66,465.03 beginning in August 2, 2008.

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

	Ambulance Loan
Year ending December 31:	
2009	\$66,465
2010	\$66,465
2011	\$2,114
Total	\$135,044

During 2007 and 2008 the Township made an extra payment of \$63,901.25 and \$40,000, respectively, to the principal balance. Also during 2007 the Township paid off the previous 2004 John Deere Tractor Loan with \$8,148.40 in principal and \$57.87 of interest payments. Additionally, during 2008 the Township paid off the previous 2005 Dump Truck Loan with \$3,563.25 in principal and \$16.69 of interest payments.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14 and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

7. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member 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

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately **\$12,619**. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

7. Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2006	\$15,780
2007	\$15,131
2008	\$13,424

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 budgetary 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*

Salt Creek Township
Pickaway County
27924 Kime Holderman Rd.
Circleville, Ohio 43113

To the Township Board of Trustees:

We have audited the financial statements of Salt Creek, Pickaway County, Ohio (the Township) as of and for the years ended December 31, 2008 and December 31, 2007, and have issued our report thereon dated October 15, 2009, 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 expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of 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 deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However we believe finding number 2008-001 and 2008-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated October 15, 2009.

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 2008-001 through 2008-004.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated October 15, 2009.

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



Mary Taylor, CPA
Auditor of State

October 15, 2009

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2008-001

Non-expendable Trust Interest Allocation – Noncompliance / Material Weakness

Ohio Rev. Code Section 5705.131 states, in part, that a taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund.

During fiscal year 2007, the Township did not properly post interest to the Permanent Fund (non-expendable trust fund), resulting in the balance to be understated by \$436 in fiscal year 2007, which was adjusted under the audit. The Permanent Fund held CD's for the Cemetery Endowment and all the interest earned for these CD's should be posted to the Permanent Fund.

We recommend the Township post a representative amount of interest to the Permanent Fund on a monthly basis as part of the interest allocation and posting process. Due to this, the financial statements and accounting records have been properly adjusted.

FINDING NUMBER 2008-002

Actual Revenue Deficiency – Noncompliance

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the Fiscal Officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The Township had a deficiency of actual receipts compared to estimated receipts in the following funds at December 31, 2007 and 2008, which should have also resulted in a decrease to the appropriation level:

Fund #	Fund Name	Total Actual Resources Available	Appropriations	Variance
<u>2007</u>				
1000	General Fund	236,962	260,608	(23,646)
2021	Gasoline Tax Fund	120,791	142,005	(21,214)
2041	Cemetery	21,319	37,137	(15,818)
<u>2008</u>				
1000	General Fund	208,825	270,475	(61,650)
2021	Gasoline Tax Fund	159,750	181,397	(21,648)
2231	Permissive Motor Vehicle License Tax Fund	30,507	104,873	(74,366)

Failure to appropriately amend estimated resources and appropriations as a result of known revenue deficiencies resulted in deficit spending in the above funds.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2008-002 (continued)

We recommend the Township implement procedures to monitor estimated and actual revenues and request an amended certificate of estimated resources and reduce appropriations, when necessary, when it becomes evident that estimated sources of revenue will be below projections for the year.

FINDING NUMBER 2008-003

Certification of Funds – Noncompliance

Ohio Rev. Code Section 5705.41(D) prohibits a subdivision or taxing entity (the Township) from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket certificate – Fiscal officers may prepare "blanket" certificates against any specific line item account not extending beyond the current 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 account 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 certificate may be outstanding at a particular time for any one line item appropriation.

The Township did not properly certify the availability of funds prior to the purchase commitment for 35 percent of the transactions tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2008-003 (Continued)

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 Township Fiscal Officer should certify that the funds are or will be available prior to the 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 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2008-004

Municipal Contracting - Non-Compliance

Ohio Rev. Code Section 731.14 provides that generally, all contracts made by the legislative authority of a municipal government for material and labor which exceed \$25,000 are subject to competitive bidding procedures. Competitive bidding procedures require that a contract be entered into in writing with the lowest and best bidder after advertisement of the proposal for bids for not less than two nor more than four consecutive weeks in a newspaper of general circulation within the municipality. Contracts for used equipment, supplies at a public auction, or emergencies can be entered into without following competitive bidding procedures.

Ohio Rev. Code Section 505.37 states that when the estimated cost to purchase fire apparatus, mechanical resuscitators, other equipment, appliances, materials, fire hydrants, buildings, or fire-alarm communications equipment or services exceeds fifty thousand dollars, the contract shall be let by competitive bidding.

A contract was entered into with Lloyd Porter and Porter in the amount of \$67,472 in 2007 and \$29,857 in 2008 to perform various road resurfacing projects. However, after all the bids were presented to the Board, it was not stated in the minutes, that Lloyd Porter and Porter was awarded the project. Also, copy of the contract could not be located. An invoice was the only form of documentation that concluded that Lloyd Porter and Porter was awarded the project. This could result in inaccurate and/or inappropriate expenditures being made.

Additionally, the Township purchased two ambulance totaling \$289,716 that were not competitively bid. This could also result in inaccurate and/or inappropriate expenditures being made.

We recommend the Board of Trustees approve all solicitations for bids as well as approval of all projects/contracts awarded in the minutes, including the awarding of the project/contract. We also recommend the Board review Ohio Revised Code requirements prior to solicitation of bids for any project/contract which will exceed the \$25,000 threshold (ORC 731.14) or the \$50,000 threshold (ORC 505.37). The Township also should maintain all documentation related to any project in the event that questions or concerns arise regarding the work performed or materials used.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2008-005

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer of the Township and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments and reclassifications were made to the Township's financial statements and, where applicable, to the Township's accounting records:

1. For 2008 and 2007, adjustments to reclassify debt expenditures as principal and interest payments for FY 2008 and FY 2007 for \$124,155 and \$114,509 in total, respectively in the General and Special Revenue Funds.
2. For 2008 and 2007, adjustments to reclassify Intergovernmental Revenue that was posted to Property and Other Local Taxes for FY2008 and FY2007 for \$46,179 and \$41,053, respectively in the General and Special Revenue Funds.
3. For 2007, adjustment to post a loan paid directly to a vendor for two ambulances in the Squad Levy Fund for the associated loan proceeds and capital outlay expenditures for \$289,716.
4. For 2007, adjustments to post interest to the Permanent Fund for FY 2007 for \$436 from the General Fund.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of the financial data throughout the year.

We recommend the Township develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Township and thereby increases the reliability of the financial data throughout the year. Such procedures may include review of the financial ledgers and financial statements by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors and omissions.

We did not receive an Official response to the findings denoted above.

**SALT CREEK TOWNSHIP
PICKAWAY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Allocation – In 2006 and 2005, the Township did not allocate interest to the Permanent Fund (previously reported as a non-expendable trust fund), resulting in the balance being understated by \$228 and \$143 respectively.	No	See Finding 2008-001
2006-002	Available Resources – The Township failed to exclude the principal of the Permanent Fund (previously reported as a non-expendable trust fund) from the amount certified as available to the County Auditor.	Yes	
2006-003	Expenditures Exceeding Appropriations – Budgetary expenditures exceeded appropriations for 2006 and 2005 in the General fund, MVT, Gasoline, Road and Bridge, Fire District, and FEMA.	Yes	
2006-004	Financial Reporting – Adjustments and SUDs were noted.	No	See Finding 2008-005



Mary Taylor, CPA
Auditor of State

SALT CREEK TOWNSHIP

PICKAWAY 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
NOVEMBER 10, 2009**